Arab Insurance Group (B.S.C.)

Consolidated Financial Statements
for the year ended 31 December 2021

KPMG Fakhro
Audit
12th Floor, Fakhro Tower
P O Box 710, Manama
Kingdom of Bahrain

Telephone +973 17 224807
Fax +973 17 227443
Website: home.kpmg/bh
CR No. 6220

Independent auditors' report

To the Shareholders of

Arab Insurance Group B.S.C
P.O. Box 26992
Manama, Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of Arab Insurance Group B.S.C (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 (IFRS).

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 Auditors' 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), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

KAM 1 Technical insurance provisions

(refer to the use of estimate and management's judgement in note 3 (i) (a), accounting policies in note 2 and disclosures in notes 15 and 16 to the consolidated financial statements)

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: ▪ as at 31 December 2021, the Group had significant technical insurance provisions, representing 76.4% of the Group's total liabilities relating to outstanding claim reserves, claims	Our audit procedures, with assistance of our actuarial specialists, included: ▪ testing the design and operating effectiveness of the key controls around recording and reserving process for reported claims, unreported claims and unearned premium;

that have been incurred at reporting date but have not yet been reported to the Group, and unearned premiums; ▪ the valuation of technical insurance provisions involves high level of subjectivity, significant judgement and assumptions, in particular claims that have been incurred at reporting date but have not yet been reported to the Group involve significant judgment over uncertain future outcomes; including primarily the timing and amount of ultimate settlement of policyholder liabilities; and ▪ internal claim development methods and actuarial models are used to support the calculation of technical insurance reserves. The complexity of the models may give rise to errors as a result of inaccurate/incomplete data or the design or application of the models may be inappropriate. Assumptions used in actuarial models, such as historical claims, which can be used to project the trend of future claims, expenses, lapse rates, and so on, are set up in applying estimates and judgments based on the experience analysis and future expectations by management.	▪ testing samples of outstanding claims and related reinsurance recoveries, focusing on those with most significant impact on the consolidated financial statements, to assess whether claims and related recoveries are appropriately estimated; ▪ for major lines of business, we assessed the reasonableness of the key reserving assumptions, such as loss ratio, frequency and severity of claims, which were used in the valuation models and comparing them to the Group's historical data; ▪ evaluating whether reserving was consistent in approach, with sufficient justification for changes in assumptions. We used our industry knowledge to benchmark the Group's reserving methodologies and estimates of losses. Our audit focused on lines of business with most inherent uncertainty; ▪ we also considered the appropriateness of information provided to external independent actuarial experts engaged by the Group and considered their scope of work and findings to corroborate adequacy of management estimates on claims reserving; and ▪ evaluating the adequacy of the Group's disclosures related to technical insurance provisions in the consolidated financial statements by reference to the requirements of the relevant accounting standards.

KAM 2 Valuation and Impairment of financial investments

(refer to the use of estimate and management judgement in note 3 (ii) (a), accounting policy in note 2, and disclosure in note 6 to the consolidated financial statements)

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: ▪ as at 31 December 2021, the Group's financial investments comprise 69.5% of Group's total assets in the consolidated financial statements and is considered one of the drivers of operations and performance; ▪ as at 31 December 2021, a significant amount, representing 71.6% of total financial investments, comprise "available-for-sale securities" having carrying value of USD 304.6 million, which is subject to impairment assessment; and	Our audit procedures, amongst others, included: ▪ testing the design and operating effectiveness of key controls over the process of recording investment transactions and valuation of the quoted investment portfolio; ▪ agreeing the valuation of the quoted equity and debt securities and managed funds to externally quoted prices; and ▪ for unlisted or unquoted securities, assessing whether the carrying values based on most recent net assets value of the underlying funds, is a reasonable measure of fair value.

▪ the Group makes subjective judgments over both timing of recognition of impairment and the estimation of the amount of such impairment.	For impairment of available-for-sale debt securities, we: ▪ evaluated individual debt security for any signs of significant financial difficulty of the issuer; ▪ assessed if there has been a default or past due event; and ▪ assessed if there had been a significant decline in fair value. For impairment of available-for-sale equity securities and managed funds, we: ▪ examined whether management has identified all investments that have experienced a decline in fair value below cost; and ▪ evaluated the reasonableness and consistency of the application of the criteria to determine that a significant or prolong decline in fair value below cost has led to recognition of impairment. We also evaluated the adequacy of the Group's disclosures related to valuation and impairment of available-for-sale investments by reference to the requirements of the relevant accounting standards.

Emphasis of Matter

We draw attention to note 1 to the consolidated financial statements, which indicates that in an Extraordinary General Meeting held on 13 August 2020 the shareholders approved the Board's recommendation of the cessation of the underwriting activities of the Company, subject to approval of the regulatory authorities. These events or conditions, along with other matters as set forth in note 1 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern Our opinion is not modified in respect of this matter.

Other Information

The board of directors is responsible for the other information. The other information comprises the annual report but does not include the consolidated financial statements and our auditors' report thereon. Prior to the date of this auditors' report, we obtained the board of directors' report which forms part of the annual report, and the remaining sections of the annual report are expected to be made available to us after that date.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, 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 Board of Directors for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the board of directors 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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditors' 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 auditors' 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company/Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Conclude on the appropriateness of the board of directors' 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 Company /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 auditors' 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 auditors' report. However, future events or conditions may cause the Company/ 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 the board of directors 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 the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and 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 applied.

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

Report on Other Regulatory Requirements

As required by the Commercial Companies Law and Volume 3 of the Central Bank of Bahrain (CBB) Rule Book, we report that:

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;
b) the financial information contained in the report of the board of directors is consistent with the consolidated financial statements;
c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 3, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and
d) satisfactory explanations and information have been provided to us by management in response to all our requests.

The engagement partner on the audit resulting in this independent auditors' report is Jaffar Al Qubaiti.

KPMG

KPMG Fakhro
Partner Registration Number 83
14 February 2022

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(In thousands of U.S. Dollars)

	Note	2021	2020
ASSETS			
Cash and bank balances	5	**59,055**	100,500
Investments	6	**424,970**	454,603
Accrued income	8	**2,148**	8,786
Insurance receivables	9	**29,141**	72,732
Insurance deposits	10	**21,728**	20,917
Deferred policy acquisition costs	17	**365**	4,749
Reinsurers' share of technical provisions	11	**38,516**	74,368
Other assets	12	**21,422**	37,349
Investment property	13	**4,622**	4,622
Property and equipment	14	**11,725**	12,006
TOTAL ASSETS		**613,692**	790,632
LIABILITIES AND EQUITY			
LIABILITIES			
Technical provisions	15	**255,778**	408,869
Insurance payables	18	**49,863**	80,664
Other liabilities	19	**29,093**	38,672
TOTAL LIABILITIES		**334,734**	528,205
EQUITY			
Attributable to shareholders of parent company	20		
Share capital		**220,000**	220,000
Treasury stock		**(14,793)**	(14,793)
Reserves		**55,198**	56,296
Retained earnings (accumulated losses)		**5,738**	(16,142)
		266,143	245,361
Non-controlling interests	21	**12,815**	17,066
TOTAL EQUITY		**278,958**	262,427
TOTAL LIABILITIES AND EQUITY		**613,692**	790,632

These consolidated financial statements were approved by the Board of Directors on 14 February 2022 and signed on its behalf by:

Saeed Mohammed AlBahhar
Chairman

Ahmed Saeed AlMahri
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2021

(In thousands of U.S. Dollars)

	Note	2021	2020
Earned premiums	22	**13,800**	68,454
Claims and related expenses	22	**14,961**	(31,609)
Policy acquisition costs	22	**(2,468)**	(19,225)
Investment income attributable to insurance funds	23	**4,269**	2,824
Operating expenses	24	**(6,845)**	(7,685)
Underwriting result	22	**23,717**	12,759
Investment income attributable to shareholders' funds	23	**5,339**	2,124
Operating expenses - non underwriting activities	24	**(4,148)**	(5,597)
Borrowing cost		**-**	(112)
Other income	25	**3,467**	6,283
Other expenses and provisions	26	**(3,964)**	(2,790)
Profit for the year		**24,411**	12,667
Attributable to:			
Non-controlling interests		**346**	(891)
Shareholders of parent company		**24,065**	13,558
		24,411	12,667
Earnings per share attributable to shareholders (basic and diluted):	27 (US Cents)	**12.1**	6.8

Saeed Mohammed AlBahhar
Chairman

Ahmed Saeed AlMahri
Director

Samuel Verghese
Acting Chief Executive Officer

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ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

(In thousands of U.S. Dollars)

	Note	2021	2020
Profit for the year		**24,411**	12,667
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes on fair value of available for sale investments		**(1,627)**	4,632
Transfers for recognition of gains on disposal of available for sale investments	23	**(2,515)**	(3,462)
Transfers for impairment loss recognised on available for sale investments	23	**862**	1,681
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property	14	**-**	646
Other comprehensive income for the year		**(3,280)**	3,497
Total comprehensive income for the year		**21,131**	16,164
Attributable to:			
Non-controlling interests		**349**	(824)
Shareholders of parent company		**20,782**	16,988
		21,131	16,164

Saeed Mohammed AlBahhar
Chairman

Ahmed Saeed AlMahri
Director

Samuel Verghese
Acting Chief Executive Officer

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ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

(In thousands of U.S. Dollars)

	Share capital	Treasury Stock	Reserves				Retained earnings (accumulated losses)	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2020	**220,000**	**(14,793)**	**37,925**	**13,810**	**4,561**	**56,296**	**(16,142)**	**245,361**	**17,066**	**262,427**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**24,065**	**24,065**	**346**	**24,411**
Changes on fair value of available for sale investments	**-**	**-**	**-**	**(1,614)**	**-**	**(1,614)**	**-**	**(1,614)**	**(13)**	**(1,627)**
Transfers for recognition of (gains) losses on disposal of available for sale investments	**-**	**-**	**-**	**(2,521)**	**-**	**(2,521)**	**-**	**(2,521)**	**6**	**(2,515)**
Transfers for impairment loss recognised on available for sale investments	**-**	**-**	**-**	**852**	**-**	**852**	**-**	**852**	**10**	**862**
Total comprehensive income for the year	**-**	**-**	**-**	**(3,283)**	**-**	**(3,283)**	**24,065**	**20,782**	**349**	**21,131**
Transfer of net depreciation on revalued property	**-**	**-**	**-**	**-**	**(222)**	**(222)**	**222**	**-**	**-**	**-**
Transfer to (from) non-distributable reserves	**-**	**-**	**2,407**	**-**	**-**	**2,407**	**(2,407)**	**-**	**-**	**-**
Subsidiary's capital reduction (note 34(i))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4,600)**	**(4,600)**
Balances at 31 December 2021	**220,000**	**(14,793)**	**40,332**	**10,527**	**4,339**	**55,198**	**5,738**	**266,143**	**12,815**	**278,958**
Parent company balances at 31 December 2021 (note 36)	**220,000**	**(14,793)**	**40,195**	**10,454**	**4,339**	**54,988**	**5,948**	**266,143**	**-**	**266,143**

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(In thousands of U.S. Dollars)

	Share capital	Treasury Stock	Reserves				Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2019	220,000	(14,793)	36,569	11,026	4,110	51,705	(28,539)	228,373	17,952	246,325
Net profit (loss) for the year	-	-	-	-	-	-	13,558	13,558	(891)	12,667
Changes on fair value of available for sale investments	-	-	-	4,518	-	4,518	-	4,518	114	4,632
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(3,374)	-	(3,374)	-	(3,374)	(88)	(3,462)
Transfers for impairment loss recognised on available for sale investments	-	-	-	1,640	-	1,640	-	1,640	41	1,681
Revaluation of property	-	-	-	-	646	646	-	646	-	646
Total comprehensive income for the year	-	-	-	2,784	646	3,430	13,558	16,988	(824)	16,164
Transfer of net depreciation on revalued property	-	-	-	-	(195)	(195)	195	-	-	-
Transfer to (from) non-distributable reserves	-	-	1,356	-	-	1,356	(1,356)	-	-	-
Sale of subsidiary - minority interests	-	-	-	-	-	-	-	-	(62)	(62)
Balances at 31 December 2020	220,000	(14,793)	37,925	13,810	4,561	56,296	(16,142)	245,361	17,066	262,427
Parent company balances at 31 December 2020	220,000	(14,793)	37,788	13,741	4,561	56,090	(15,936)	245,361	-	245,361

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

(In thousands of U.S. Dollars)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		**28,613**	97,323
Reinsurance premiums paid		**(21,947)**	(17,477)
Claims and acquisition costs paid		**(147,660)**	(226,798)
Reinsurance receipts in respect of claims		**72,762**	98,801
Investment income		**43**	4,710
Interest received		**1,872**	2,286
Dividends received		**-**	56
Operating expenses paid		**(11,716)**	(12,761)
Other (expenses) income, net		**(3,319)**	(5,967)
Insurance deposits received (paid), net		**102**	1,455
Purchase of trading investments		**-**	(667)
Sale of trading investments		**-**	20,529
Net cash used in operating activities	30	**(81,250)**	(38,510)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity/sale of investments		**115,744**	154,855
Purchase of investments		**(92,173)**	(90,950)
Term deposits with bank		**18,473**	(22,698)
Interest received		**7,398**	9,428
Investment income		**2,572**	2,255
Collateralised cash deposits		**10,790**	(8,457)
Purchase of property and equipment		**(5)**	(30)
Sale of associate / subsidiary		**90**	318
Net cash provided by investing activities		**62,889**	44,721
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings	31	**-**	(7,000)
Borrowing cost	31	**-**	(187)
Dividends paid	31	**-**	(2,418)
Subsidiary's capital reduction - minority interests	31	**(4,600)**	-
Net cash used in financing activities		**(4,600)**	(9,605)
Net decrease in cash and cash equivalents		**(22,961)**	(3,394)
Effect of exchange rates on cash and cash equivalents		**(11)**	(65)
Cash and cash equivalents, beginning of year		**63,436**	66,895
Cash and cash equivalents, end of year	5	**40,464**	63,436
Term deposits with bank		**18,591**	37,064
Cash and bank balances, end of year	5	**59,055**	100,500

The accompanying notes 1 to 37 are an integral part of these consolidated financial statements.

1. INCORPORATION AND PRINCIPAL ACTIVITY

Arab Insurance Group (B.S.C.) (the “Company”, “parent company”) is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The parent company and its subsidiaries (the “Group”) are involved in provision of general (non-life) and life reinsurance and related service activities.

The Board in its meeting held on 13th May 2019 resolved to recommend to the shareholders the cessation of the Company's underwriting activities. In an Extraordinary General Meeting held on 13 August 2020 the shareholders approved the Board’s recommendation and placed the insurance portfolio in run-off. The Company has sought the approval of CBB to implement the resolution of the shareholders.

The board of directors expects the proposed run-off of the existing insurance portfolio to take more than 12 months and have assessed that the Company will continue to operate as a going concern for at least 12 months from the date of these consolidated financial statements. Therefore, these consolidated financial statements have been prepared on going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board and are consistent with prevailing practice within the insurance industry.

The Group’s financial statements are presented in U.S. Dollars, which is its functional currency as its share capital and a significant proportion of its business, assets and liabilities are denominated in that currency.

The consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of land and building, derivative financial instruments and certain investment assets at fair value.

Comparative figures have been represented, reclassified and restated, where necessary, to conform to the current year’s presentation.

There are a few amendments to standards effective as of 1 January 2021. However, these have no impact on the consolidated financial statements. The Group has not adopted any new or revised IFRS in 2021.

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID 19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The Board of Directors and management has been closely monitoring the impact of the COVID 19 developments on the Group’s operations and financial position; including possible loss of revenue, impact on asset valuations, impairment etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

In preparing the consolidated financial statements, judgements made by Board of Directors and management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility arising from COVID-19 and these are considered to represent management's best assessment based on available or observable information.

The following standards and interpretations have been issued but are applicable for periods subsequent to the year ended 31 December 2021:

- IFRS 9 Financial Instruments
  Standard issued July 2014

  IFRS 9 replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The standard is applicable from 1 January 2018 with early adoption permitted. However, the Group has applied the temporary exemption from IFRS 9 available under IFRS 4 and will therefore only apply this standard for annual periods beginning 1 January 2023. In the interim the Group will continue to apply IAS 39 to its financial assets and liabilities. Required disclosure on applying the temporary exemption from IFRS 9 are provided in note 33.

  The Group has an implementation program underway to implement IFRS 9 which according to preliminary assessment is not expected to have a material impact.

  The Group remains on track to start providing IFRS 9 financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023.

- IFRS 17 Insurance Contracts
  Standard issued in May 2017

  IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. This standard replaces IFRS 4 Insurance contracts. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. The standard is applicable for annual periods beginning on or after 1 January 2023, with comparative figures required for the prior period.

  The Group has an implementation program underway to implement IFRS 17. The program is presently setting accounting policies and taking necessary steps to implement the standard, which according to preliminary assessment is not expected to have a material impact.

  The Group remains on track to provide IFRS 17 financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

The Group did not early-adopt new or amended standards in 2021.

The significant accounting policies of the Group are as follows:

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company and all of its subsidiaries made up to 31 December 2021 except for Arig Capital Limited which is consolidated one quarter in arrears.

Subsidiaries are defined as entities that are controlled by the Group, on the basis of

i) power over the entity;
ii) the exposure to variable returns from the entity; and
iii) the ability to use its power to affect the amount of returns.

The purchase method is used to account for acquisitions.

All intra-group transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated on consolidation. Where necessary, the accounts of subsidiaries have been restated to ensure consistency with the accounting policies adopted by the Group.

Non controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

A listing of the principal subsidiaries is set out in note 34. In the parent company, these investments are accounted using the equity method under IAS 27, Separate Financial Statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, bank balances and short-term highly liquid assets (placements with financial institutions) with original maturities of three months or less when acquired that are subject to insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments. Bank balances that are restricted and not available for day to day operations of the Group are not included in cash and cash equivalents.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

INVESTMENTS

Investment securities are classified as ‘at fair value through profit or loss’, which includes financial assets held for trading and those designated at fair value on initial recognition, ‘available for sale’, ‘held to maturity’ or ‘loans and receivables’. Management determines the appropriate classification of investments at the time of purchase.

Securities are classified as at fair value through profit or loss if they are acquired for the purpose of generating a profit from short-term fluctuations in price or if so designated by management. Derivative financial instruments that are not designated as accounting hedge are classified as at fair value through profit or loss. Investments with fixed or determinable payments and fixed maturity that the management has the intent and ability to hold to maturity are classified as held to maturity. Financial instruments with fixed or determinable payments and that are not quoted in an active market are categorised as loans and receivables. Securities intended to be held for an indefinite period of time and those that are not classified as at fair value through profit or loss, held to maturity or loans and receivables, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available for sale.

All purchases and sales of investments are recognised at the settlement date. All investment assets are recognised initially at cost. After initial recognition, investments are valued using principles described below.

Investments at fair value through profit or loss and investments available for sale are carried at fair value. Held to maturity investments and loans and receivables are carried at amortised cost, less any adjustment necessary for impairment.

Fair values are measured using market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in valuation (see note 32).

INVESTMENT PROPERTY

Property held to earn rentals which can be leased out separately are accounted for as investment property. Investment property initially is measured at cost and subsequently cost less accumulated depreciation and any impairment loss. Any gain or loss on disposal of investment property is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

A provision is made in respect of a financial asset for which there is an objective evidence of impairment if its carrying amount is greater than its estimated recoverable amount.

Provisions for assets carried at amortised cost are calculated as the difference between the carrying amount of the assets and the present value of expected future cash flows discounted at their original effective interest rate. By comparison, the recoverable amount of an instrument carried at cost is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

In the case of available for sale financial assets, the Group assesses at each statement of financial position date whether there is an objective evidence of impairment of such assets. If any such evidence exists, the impairment measured as the difference between acquisition cost and recoverable amount less any impairment previously recognised in the statement of profit or loss is recognised in consolidated statement of profit or loss. Evidence of impairment considers among other factors significant or prolonged decline in market values and financial difficulties of the issuer. Impairment recognised is not reversed subsequently except in case of debt instruments.

INVESTMENT IN ASSOCIATED COMPANIES

Investments in associated companies are accounted for using the equity method, less any adjustment necessary for impairment. Associated companies are defined as those companies over which the Group is able to exercise significant influence but not control or joint control over the financial and operating policy decisions.

INSURANCE RECEIVABLES

Insurance receivables are carried at anticipated realisable values after provision for impairment. A provision for impairment is established when there is evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. In case of receivables not specifically impaired, a collective evaluation of impairment is carried out based on historical loss experience. Bad debts are written off during the year in which they are identified. The identification of bad debts is based on an analysis of the financial position of the counter party.

INSURANCE DEPOSITS

Insurance deposits comprise premium and claim deposits with cedants in accordance with policy terms and are carried at anticipated realisable values after provision for impairment. A provision for impairment is established when there is evidence that the Group will not be able to collect all amounts due according to the terms of the deposits. In case of deposits not specifically impaired, a collective evaluation of impairment is carried out based on historical loss experience. Irrecoverable deposits are written off during the year in which they are identified. Irrecoverable deposits are identified on an analysis of the financial position of the counter party.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

INTANGIBLE ASSETS

Expenditure on software, patents, present value of future profits on acquisition of portfolio and licenses are capitalised and amortised using the straight line basis over their expected useful lives, not exceeding a period of 5 years.

Costs associated with developing computer software programmes are recognised as an expense when incurred. However, costs that are clearly associated with an identifiable and unique product, which will be controlled by the Group and has a probable benefit exceeding the costs beyond one year, are recognised as intangible assets. Costs include staff costs of the development team and an appropriate portion of relevant overheads.

Expenditure, which enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. The carrying amount of intangible assets is reviewed annually and adjusted for impairment where it is considered necessary.

PROPERTY & EQUIPMENT

Property & equipment are stated at cost less accumulated depreciation except for land and building which are carried at their revalued amount being fair value on date of valuation on a rolling basis by independent external valuers, less accumulated depreciation. On revaluation, any increase in the carrying amount of the asset is carried in the shareholders' equity as Property Revaluation Reserve and any decrease is recognised as an expense, except to the extent that it reverses decreases or increases previously recognised through income or shareholders' equity. The balance in the Property Revaluation Reserve is transferred directly to Retained Earnings on sale of property and realization of surplus. Further, the difference between depreciation based on the revalued carrying amounts and the depreciation based on original cost of the property is transferred directly from Property Revaluation Reserve to Retained Earnings.

The cost of additions and major improvements are capitalised; maintenance and repairs are charged to expense as incurred. Gains or losses on disposal are reflected in other income. Depreciation is provided on straight-line basis over the expected useful lives of the assets, which are as follows:

Building	40	years
Electrical and mechanical	20	years
Information systems, furniture, equipment and others	3-5	years

Useful lives and residual values are reassessed at each reporting period and adjusted accordingly. At each reporting date, the Group reviews the carrying amounts to determine whether there is any indication of impairment.

If any such indication exists, then the assets recoverable amount is estimated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGU).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Employee entitlements are recognised when they accrue to employees, with a provision being carried for the estimated liability as a result of services rendered upto the statement of financial position date.

POST EMPLOYMENT OBLIGATIONS

The Group operates a defined benefit plan for its employees.

For defined benefit plans, the accounting cost is charged to the consolidated statement of profit or loss so as to spread it over the expected service lives of employees. The accounting costs under these plans are measured as the present value of the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

TREASURY STOCK

Treasury stock representing shares purchased by the parent company or its consolidated subsidiaries are carried at cost with the exception of holdings as on the date of capital reduction, 4 July 2002, which are carried at nominal value. All treasury stock is presented as a deduction from shareholders’ equity and gains and losses from sale of these shares are presented as a change in shareholders’ equity.

RECOGNITION OF UNDERWRITING RESULT

Insurance business is accounted for in a manner consistent with prevailing practice within the insurance industry, more specifically, on an annual accounting basis. Specific accounting policies relating to individual items of insurance revenues and costs and technical provisions are explained below for each relevant item.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

PREMIUMS

Gross premiums written comprise the total premiums in relation to contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years. It includes an estimate of pipeline premiums, being those premiums written but not reported to the Group at the statement of financial position date. Pipeline premiums net of related pipeline acquisition costs are reported as accrued insurance premiums.

Premiums, net of reinsurance, are taken to income over the terms of the related contracts or policies. Unearned premiums are those proportions of the premiums accounted for, which relate to periods of risk that extend beyond the end of the financial year; they are calculated based on a time apportionment basis. A provision for unexpired risks is made for estimated amounts required over and above provisions for unearned premiums to meet future claims and related expenses on business in force at the statement of financial position date. Such provision, where necessary, is made on the basis of an assessment of segments in which policies with similar risk profile are grouped together.

CLAIMS AND RELATED EXPENSES

Claims and related expenses are accounted for based on reports received and subsequent review on an individual case basis. Provision is made to cover the estimated ultimate cost of settling claims arising out of events, which have occurred by the end of the financial year, including unreported losses, and claims handling expenses. Provision for unreported claims is established based on actuarial analysis and application of underwriting judgment having regard to the range of uncertainty as to the eventual outcome for each category of business.

POLICY ACQUISITION COSTS

Commissions, taxes, brokerages and other variable underwriting costs directly associated with acquiring business are amortised over the period in which the related premiums are earned. Policy acquisition costs that relate to periods of risk that extend beyond the end of the financial year are reported as deferred policy acquisition costs.

REINSURANCE ARRANGEMENTS

As part of managing its insurance risks, the Group enters into contracts with other reinsurers for compensation of losses on insurance contracts issued by the Group.

Compensations receivable from reinsurers are estimated in a manner consistent with the corresponding claim liability. The benefits and obligations arising under reinsurance contracts are recognised in income and the related assets and liabilities are recognised as accounts receivable, reinsurers' share of technical reserves and accounts payable.

LIABILITY ADEQUACY TEST

At each statement of financial position date, liability adequacy tests are performed to ensure adequacy of the contractual liabilities net of related deferred acquisition costs. In performing these tests, current best estimates of future contractual undiscounted cash flows and claims handling and administrative expenses are considered. The tests are performed on a portfolio basis where policies with similar risk profile are grouped together as a portfolio.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Interest is recognised on the effective interest rate method and dividends are recognised when declared. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale investments are recognised in other comprehensive income and carried in investment revaluation income as part of equity. When available for sale investments are disposed or are impaired, the related fair value adjustments are included in the statement of profit or loss.

Investment income arising from insurance business investment assets are allocated to the underwriting results of insurance businesses based on the proportion of their respective insurance funds to shareholders' funds during the financial year.

FOREIGN CURRENCY TRANSLATION

Transactions denominated in currencies other than U.S. Dollars are recorded at the rates ruling at the date of the transaction. All monetary and non-monetary assets carried at fair value denominated in currencies other than U.S. Dollars are translated at year-end exchange rates.

Unrealised gains or losses on translation are taken to income except in respect of non-monetary available for sale investments, which are taken to other comprehensive income until they are disposed.

Unrealised gains and losses on translation of financial statements of subsidiaries are included in equity. Other foreign currency gains and losses are taken to income.

DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of its business, the Group uses forward foreign exchange contracts as fair value hedges to protect its exposures in respect of foreign currency denominated investments and insurance liabilities and these contracts are carried at fair value.

Where a fair value hedge meets the conditions prescribed by International Financial Reporting Standards for qualifying as an effective hedge, gains or losses from remeasuring forward foreign exchange contracts and gains or losses on hedged assets attributable to the hedged risk are recognised in income.

Where the hedge is not effective, gains or losses from remeasuring forward foreign exchange contracts are recognised in income. Gains or losses on hedged assets are recognised in income except in respect of non-monetary available for sale investments, which are taken to equity until they are disposed.

The gain or losses from remeasuring insurance liabilities and related foreign exchange contracts are recognised in income.

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying its accounting policies, the Group makes estimates and judgements that have an impact on the amounts recognised and reported in the financial statements. These estimates and judgements are based on historical experience, observable market data, published information and other information including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that have a significant impact on the recognised amounts in the financial statements and the processes used to determine these estimates and judgements are described below:

i) Critical accounting estimates and judgement:

a) Claims and related expenses

The estimate of ultimate losses arising from existing insurance contracts includes unreported claims. Provisions for unreported claims are estimated based on actuarial analysis and application of underwriting judgment having regard to the range of uncertainty as to the eventual outcome for each category of business. The ultimate insurance liability also includes the costs to administer the claims. See note 4 (v).

b) Ultimate premiums and related expenses

The estimate of ultimate premiums is based on premium income estimates provided by cedants which is then adjusted to reflect underwriters' judgement taking into account market conditions and historical data. This estimate is subject to review by underwriters and actuaries.

ii) Significant accounting estimates and judgements:

a) Investments measured at fair value

Fair values of investments measured at fair value are determined using market observable data as far as possible. The Group assesses at each statement of financial position date whether there is an objective evidence of impairment of such assets. If any such evidence exists, the impairment measured as the difference between acquisition cost and recoverable amount less any impairment previously recognised in the statement of profit or loss is recognised in consolidated statement of profit or loss. Evidence of impairment considers among other factors significant or prolonged decline in market values and financial difficulties of the issuer.

b) Insurance receivables

In assessing anticipated realisable value of receivables, a provision for impairment is established when there is evidence that the Group will not be able to collect all amounts due according to the terms of the receivables. In case of receivables not specifically impaired, a collective evaluation of impairment is carried out based on historical loss experience. Bad debts are written off during the year in which they are identified. The identification of bad debts is based on an analysis of the financial position of the counter party.

4. MANAGEMENT OF INSURANCE RISKS

The Group's activities expose it to a variety of financial and other risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk, underwriting risk and liquidity risk.

The following is a summary of policies adopted to mitigate the key insurance risks facing the Group:

i) Underwriting risks:

The Group manages its underwriting risks principally through policies and guidelines for accepting risks and reinsurance arrangements.

Risks are accepted based on an evaluation of pricing and prior underwriting experience in accordance with underwriting guidelines that have been laid out for each line of business. Underwriting guidelines are constantly reviewed and updated to take account of market developments, performance and opportunities. Accumulation limits are set to control exposures to natural hazards and catastrophes. Various underwriting and approval limits are specified for accepting risks.

Acceptance of risks that do not meet specified minimum criteria are subject to agreement of an Underwriting Review Committee comprising representatives from the Marketing, Underwriting and Actuarial functions.

The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements.

Reserving risks are addressed by ensuring prudent and appropriate reserving for business written by the Group, thus ensuring that sufficient funds are available to cover future claims. Reserving practices involve the use of actuarial analysis and application of underwriting judgement. These are supplemented by periodical independent actuarial reviews for determining the adequacy of reserves.

ii) Credit risks:

Credit risk under insurance contracts is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk is controlled through terms of trade for receipt of premium and in certain cases enforcement of premium warranty conditions. Most of the counterparties are insurance companies that are generally not rated. However, there are no significant exposures from any one counterparty.

Reinsurance arrangements are effected with reinsurers whose creditworthiness is assessed on the basis of satisfying minimum rating and financial strength criteria. Exposure to any single reinsurer generally does not exceed a maximum of 25% of total exposure and risks are generally placed with counterparties with minimum investment grade rating except for proportional treaty arrangements placed on reciprocal basis.

4. MANAGEMENT OF INSURANCE RISKS (CONTD.)

Credit risks relating to reinsurance arrangements are analysed as follows:

	US$ '000		
	2021		
	Receivables	**Share of claims outstanding**	**Total**
Balance relating to reinsurers:			
- With investment grade rating	**14,633**	**18,904**	**33,537**
- Other	**1,465**	**2,118**	**3,583**
	16,098	**21,022**	**37,120**

	US$ '000		
	2020		
	Receivables	Share of claims outstanding	Total
Balance relating to reinsurers:			
- With investment grade rating	43,753	33,182	76,935
- Other	1,364	2,692	4,056
	45,117	35,874	80,991

iii) Currency risks:

As the Company writes business in various currencies, it is exposed to currency risk. Foreign exchange currency risks are hedged where exposures are significant and facility to hedge is available.

	US$ '000				
	Euro	**Pound Sterling**	**Indian Rupee**	**Kuwaiti Dinar**	**Other**
2021					
Reinsurance assets (liabilities), net	**(528)**	**(1,252)**	**(6,185)**	**(10,786)**	**(15,332)**

	US$ '000				
	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
2020					
Reinsurance assets (liabilities), net	(1,490)	(1,379)	(4,943)	(12,969)	(21,989)

iv) Liquidity risks:

Liquidity risk is the risk that cash may not be available to pay obligations when due. Limits have been specified in the investment policy and guidelines that requires a significant portion of investment funds representing insurance liabilities to be held in cash or readily marketable debt securities.

4. MANAGEMENT OF INSURANCE RISKS (CONTD.)

v) Sensitivity analysis:

The sensitivity of the Group's income to market risks is as follows:

	US$ '000	
	2021	2020
5% increase in loss ratio	**(690)**	(3,423)
5% decrease in loss ratio	**690**	3,423
10% increase in US Dollar exchange rate	**5,945**	7,062
10% decrease in US Dollar exchange rate	**(7,266)**	(8,632)

5. CASH AND BANK BALANCES

	US$ '000	
	2021	2020
Cash and bank balances	**40,464**	63,436
Cash and cash equivalents	**40,464**	63,436
Deposits with maturity over 3 months	**18,591**	37,064
	59,055	100,500

Details of significant terms and conditions, exposures to credit, interest rate and currency risks are as follows:

i) Credit risk:

Bank balances and deposits with short term maturities are held with leading financial institutions. The Group limits its concentration of time deposits with any one financial institution to a maximum of 10% of shareholders' equity.

ii) Interest rate risk:

	2021	2020
Interest receivable basis:		
- Bank balances	**Daily/Monthly**	Daily/Monthly
- Deposits with short term maturities	**On maturity**	On maturity
Effective rates	**0.01% - 3.15%**	0.01% - 3.60%

As the deposits are short term maturities, there is no sensitivity to interest rate fluctuation.

5. CASH AND BANK BALANCES (CONTD.)

iii) Currency risk:

	US$ '000	
	2021	2020
U.S. Dollar	**43,613**	82,879
Pound Sterling	**7,564**	9,631
Bahraini Dinar	**6,609**	6,694
Euro	**648**	574
Other	**621**	722
	59,055	100,500

6. INVESTMENTS

	US$ '000	
	2021	2020
At fair value through profit or loss		
Held for trading		
Common stock of listed companies	**-**	18,567
	-	18,567
Designated at fair value on initial recognition		
Debt securities		
- Investment grade	**99,312**	104,297
- Other	**6,105**	13,909
	105,417	118,206
Held to maturity		
Debt securities		
- Investment grade	**6,002**	3,952
- Other	**8,060**	3,969
	14,062	7,921
Available for sale		
Debt securities		
- Supra-nationals and OECD country governments	**27,850**	10,044
- Investment grade	**162,946**	185,507
- Other	**96,494**	90,914
Common stock of listed companies	**-**	3,103
Common stock of unlisted companies	**3,205**	3,349
Other equity type investment	**14,111**	16,236
	304,606	309,153
Loans and receivables	**360**	265
Investment in associates	**525**	491
	424,970	454,603

6. INVESTMENTS (CONTD.)

Movements in the Group's impairment recognised on available for sale debt securities are as follows:

	US$ '000	
	2021	2020
At 1 January	**1,492**	1,492
Impairment recognised during the year	**416**	-
At 31 December	**1,908**	1,492

Debt securities amounting to US$ 18.2 million (2020: US$ 53.5 million) have been pledged as security for reinsurance guarantees.

Details of significant exposures to credit, interest rate and currency risks on investments are as follows:

i) Credit risk:

The Group limits its investment concentration in debt securities in any one investee and in any one industry group to 10% and 20% respectively, of the total debt securities portfolio.

The Group also limits its investment concentration in common stock of listed companies of any one issue and any one issuer to 5% and 10% respectively, of its budgeted equity portfolio at the time of purchase.

ii) Debt securities - interest rate risk:

	2021		
	Interest receivable basis	**Effective Rates**	**Coupon Rates**
Supra-nationals and OECD country government securities	**Monthly/Semi-annual/Annual**	**0.375% - 0.500%**	**0.375% - 0.500%**
Investment grade debt securities	**Monthly/Semi-annual/Annual**	**0.010% - 7.125%**	**0.010% - 7.125%**
Other debt securities	**Monthly/Semi-annual/Annual**	**1.740% - 5.500%**	**1.740% - 5.500%**

	2020		
	Interest receivable basis	Effective Rates	Coupon Rates
Supra-nationals and OECD country government securities	Monthly/Semi-annual/Annual	2.250% - 2.500%	2.250% - 2.500%
Investment grade debt securities	Monthly/Semi-annual/Annual	0.100% - 7.125%	0.100% - 7.125%
Other debt securities	Monthly/Semi-annual/Annual	1.740% - 5.500%	1.740% - 5.500%

6. INVESTMENTS (CONTD.)

iii) Debt securities - currency risk:

	US$ '000			
	2021			
	U.S. Dollar	**Bahraini Dinar**	**Other**	**Total**
Supra-nationals and OECD country government securities	**27,850**	**-**	**-**	**27,850**
Investment grade debt securities	**268,263**	**-**	**(3)**	**268,260**
Other debt securities	**106,505**	**4,154**	**-**	**110,659**
	402,618	**4,154**	**(3)**	**406,769**

	US$ '000			
	2020			
	U.S. Dollar	Bahraini Dinar	Other	Total
Supra-nationals and OECD country government securities	10,044	-	-	10,044
Investment grade debt securities	293,746	-	10	293,756
Other debt securities	104,535	4,257	-	108,792
	408,325	4,257	10	412,592

iv) Debt securities - remaining term to maturity:

The principal amount and book values of debt securities are shown in the table below by contractual maturity.

	US$ '000			
	2021		2020	
	Principal Amount	**Book value**	Principal amount	Book value
Supra-nationals and OECD country government securities:				
- Due in one year or less	**28,000**	**27,850**	10,000	10,044
	28,000	**27,850**	10,000	10,044
Debt securities of investment grade issuers:				
- Due in one year or less	**65,561**	**63,635**	36,659	33,980
- One to five years	**130,006**	**133,591**	183,719	190,930
- More than five years	**66,762**	**71,034**	63,020	68,846
	262,329	**268,260**	283,398	293,756
Other debt securities:				
- Due in one year or less	**944**	**-**	11,944	11,226
- One to five years	**43,584**	**44,098**	35,316	35,907
- More than five years	**5,159**	**66,561**	3,112	61,659
	49,687	**110,659**	50,372	108,792
	340,016	**406,769**	343,770	412,592

6. INVESTMENTS (CONTD.)

v) Common stock:

Common stocks have no fixed maturity dates and are generally not exposed to interest rate risk. However, they are subject to price risk and its sensitivity is shown in note 7. Dividends are generally declared on an annual basis.

The book value of common stock classified by currencies in which they are denominated are as follows:

	US$ '000	
	2021	2020
U.S. Dollar	**2,205**	5,262
Pound Sterling	**-**	18,567
Other	**1,000**	1,190
	3,205	25,019

vi) Commitments:

The Group has commitments in respect of uncalled capital in available for sale investments amounting to US$ 7.7 million (2020: US$ 6.7 million).

7. SENSITIVITY ANALYSIS

The sensitivity of the Group's profit or loss and total equity to market risks on its cash and cash equivalents and investments is as follows:

	US$ '000			
	2021		2020	
	Income	**Equity**	Income	Equity
Interest rate				
+ 100 basis points shift in yield curves-debt instruments	**(2,136)**	**(7,350)**	(2,574)	(7,103)
– 100 basis points shift in yield curves-debt instruments	**2,164**	**5,549**	2,610	5,301
Currency risk				
10% increase in US Dollar exchange rate	**(5,881)**	**-**	(8,864)	-
10% decrease in US Dollar exchange rate	**7,187**	**-**	10,833	-
Equity price				
10% increase in equity prices	**1,161**	**-**	1,857	310
10% decrease in equity prices	**(1,161)**	**-**	(1,857)	(310)

8. ACCRUED INCOME

	US$ '000	
	2021	2020
Accrued insurance premiums		
Expected to be received:		
- Within 12 months	**367**	5,754
- After 12 months	**37**	1,012
	404	6,766
Accrued interest		
- Expected to be received within 12 months	**1,744**	2,020
	2,148	8,786

9. INSURANCE RECEIVABLES

	US$ '000	
	2021	2020
Balances due:		
- Within 12 months	**29,097**	72,638
- After 12 months	**44**	94
	29,141	72,732

Movements in the Group's provision for impaired receivables are as follows:

	US$ '000	
	2021	2020
At 1 January	**16,670**	16,578
Additional provision for impairment	**82**	92
31 December	**16,752**	16,670

The individually impaired receivables mainly relate to counter party in financial difficulty. The ageing of these receivables is as follows:

	US$ '000	
	2021	2020
Over two years	**3,327**	3,340
	3,327	3,340

9. INSURANCE RECEIVABLES (CONTD.)

The ageing analysis of receivables that are past due and not considered impaired is as follows:

	US$ '000	
	2021	2020
Upto 6 months	**334**	654
6 to 12 months	**1,020**	1,435
	1,354	2,089

10. INSURANCE DEPOSITS

	US$ '000	
	2021	2020
Balances due:		
- Within 12 months	**13,307**	12,408
- After 12 months	**8,421**	8,509
	21,728	20,917

Movements in the Group's provision for impaired deposits are as follows:

	US$ '000	
	2021	2020
At 1 January	**1,976**	1,978
Provision for impairment (write back)	**2**	(2)
31 December	**1,978**	1,976

The individually impaired deposits mainly relate to counter parties in financial difficulty. The ageing of these deposits is as follows:

	US$ '000	
	2021	2020
Over ten years	**196**	168
	196	168

10. INSURANCE DEPOSITS (CONTD.)

The ageing analysis of deposits that are past due and not considered impaired is as follows:

	US$ '000	
	2021	2020
Upto 1 year	**1,058**	1,196
1 to 3 years	**1,692**	14,104
3 to 5 years	**-**	207
	2,750	15,507

11. REINSURERS' SHARE OF TECHNICAL PROVISIONS

	US$ '000	
	2021	2020
General insurance business		
- Claims outstanding	**21,007**	35,858
- Unreported claims	**16,848**	33,020
- Deferred retrocession premium reserve	**645**	5,467
	38,500	74,345
Life insurance business		
- Claims outstanding	**15**	16
- Unreported claims	**1**	7
	16	23
	38,516	74,368

12. OTHER ASSETS

	US$ '000	
	2021	2020
Intangible assets:		
- Computer software	**9,977**	10,165
	9,977	10,165
Less: Accumulated amortization	**(9,648)**	(9,627)
	329	538
Other assets		
- Collateralised cash deposits	**14,611**	25,401
- Other receivables	**5,996**	10,947
- Prepayments	**486**	463
	21,093	36,811
	21,422	37,349
Movement in intangible assets:		
Net book value at 1 January	**538**	564
- Amortization charge	**(21)**	(26)
- Disposals	**(188)**	-
Net book value at 31 December	**329**	538

Collateralised cash deposits have been pledged as security for reinsurance trust agreements, letters of credit and guarantees.

13. INVESTMENT PROPERTY

	US$ '000	
	2021	2020
Carrying value at 1 January	**4,622**	-
Transferred from property and equipment	**-**	5,150
Reversal of impairment (impairment)	**143**	(378)
Depreciation	**(143)**	(150)
Carrying value at year-end	**4,622**	4,622

In 2020, the Group's subsidiary Takaful Re Ltd, Dubai (TRL) based on new leasing regulations issued during the year by Dubai International Financial Centre (DIFC) determined that the sub-let portion of TRL's office premises could be given on long-term lease that can qualify to be a finance lease. Prior to that determination, the entire office premises of TRL were classified as property and equipment. Pursuant to that determination, TRL has reclassified the portions of office premises sub-let by them to investment property in accordance with the requirement of IAS 40: Investment Property. Accordingly, the fair value of the sub-let property classified as investment property by TRL has been transferred from property and equipment to investment property on 1 January 2020.

Investment property is carried at cost less accumulated depreciation and impairment. The fair value of investment property was assessed as at December 2021 by an independent Royal Institution of Chartered Surveyors (RICS) registered valuer. The fair value of the investment property as at 31 December 2021 USD 4.622 million (2020: USD 4.622 million) and fair value measurement has been categorised as Level 3.

14. PROPERTY AND EQUIPMENT

	US$ '000	
	2021	2020
Land	**2,080**	2,080
Building	**9,833**	12,101
Furniture and fixtures	**6,921**	6,921
Hardware	**2,360**	2,412
Office equipments	**447**	445
Others	**397**	397
	22,038	24,356
Less: Accumulated depreciation and impairment		
Building	**(222)**	(2,269)
Furniture and fixtures	**(6,906)**	(6,904)
Hardware	**(2,351)**	(2,397)
Office equipments	**(446)**	(445)
Others	**(388)**	(335)
	(10,313)	(12,350)
	11,725	12,006
Movements in property and equipment:		
Net book value at 1 January	**12,006**	18,712
- Reclassified to investment property	**-**	(5,150)
- Revaluation of property	**152**	(1,169)
- Additions	**5**	140
- Disposals	**(1)**	(59)
- Depreciation charge	**(437)**	(468)
Net book value at 31 December	**11,725**	12,006

Land and Building comprises the head office property owned and occupied by the Company since 1984. Building also includes portion of office premises of TRL which is used for administration purpose.

TRL Building has been revalued as at December 2021 by an independent RICS registered valuer and accordingly an impairment reversal of US$ 152,168 has been recognised in the profit and loss.

15. TECHNICAL PROVISIONS

	US$ '000	
	2021	2020
General insurance business		
- Claims outstanding	**142,545**	200,511
- Unreported losses	**78,372**	146,760
- Unearned premiums	**3,956**	27,112
	224,873	374,383
Life insurance business		
- Claims outstanding	**10,973**	12,404
- Unreported losses	**19,767**	21,766
- Unearned premiums	**165**	316
	30,905	34,486
	255,778	408,869

The mean term of reserves is 2.9 years and 2.7 years for non-life and life business respectively.

16. CLAIMS DEVELOPMENT

The table below shows the incurred gross and net claims including unreported losses computed with reference to earned premiums, compared with previous estimates for the last 5 years:

	US$ '000						
	Underwriting year						
	2016	2017	2018	2019	2020	2021	**Total**
Gross							
Estimate of incurred claims costs:							
- At end of underwriting year	74,463	127,688	98,051	55,541	1,474	-	
- One year later	136,341	233,862	198,985	112,330	1,033	-	
- Two years later	185,919	250,680	206,944	118,951	-	-	
- Three years later	175,042	235,117	205,615	-	-	-	
- Four years later	172,143	230,929	-	-	-	-	
- Five years later	167,346	-	-	-	-	-	
Current estimate of incurred claims	167,346	230,929	205,615	118,951	1,033	-	**723,874**
Cumulative payments to date	(156,299)	(210,736)	(176,390)	(74,366)	(53)	-	**(617,844)**
Liability recognized	11,047	20,193	29,225	44,585	980	-	**106,030**
Liability in respect of prior years							**145,627**
Total liability included in the statement of financial position							**251,657**

	2016	2017	2018	2019	2020	2021	**Total**
Net							
Estimate of incurred claims costs:							
- At end of underwriting year	66,195	106,954	84,203	48,217	1,474	-	
- One year later	124,902	183,530	151,704	92,768	1,033	-	
- Two years later	161,481	191,546	156,533	96,171	-	-	
- Three years later	156,331	184,133	156,231	-	-	-	
- Four years later	153,572	179,926	-	-	-	-	
- Five years later	149,246	-	-	-	-	-	
Current estimate of incurred claims	149,246	179,926	156,231	96,171	1,033	-	**582,607**
Cumulative payments to date	(139,017)	(161,353)	(128,929)	(58,741)	(53)	-	**(488,093)**
Liability recognized	10,229	18,573	27,302	37,430	980	-	**94,514**
Liability in respect of prior years							**119,272**
Total liability included in the statement of financial position							**213,786**

17. MOVEMENTS IN INSURANCE LIABILITIES AND ASSETS

	US$ '000		
	Gross	**Reinsurance**	**Net**
2021			
Claims			
Claims outstanding	**212,915**	**35,874**	**177,041**
Unreported losses	**168,526**	**33,027**	**135,499**
Total at beginning of year	**381,441**	**68,901**	**312,540**
Change in provision during the year	**(35,360)**	**(6,116)**	**(29,244)**
Claims settled during the year	**(94,424)**	**(24,914)**	**(69,510)**
Balance at end of year	**251,657**	**37,871**	**213,786**
Unearned premium			
At beginning of year	**27,428**	**5,467**	**21,961**
Change in provision during the year	**(23,307)**	**(4,822)**	**(18,485)**
Balance at end of year	**4,121**	**645**	**3,476**
Accrued insurance premium			
At beginning of year	**8,540**	**1,774**	**6,766**
Movement during the year	**(8,077)**	**(1,715)**	**(6,362)**
Balance at end of year	**463**	**59**	**404**
Deferred policy acquisitions costs			
At beginning of year	**4,796**	**47**	**4,749**
Movement during the year	**(4,469)**	**(85)**	**(4,384)**
Balance at end of year	**327**	**(38)**	**365**

	US$ '000		
	Gross	Reinsurance	Net
2020			
Claims			
Claims outstanding	271,456	52,987	218,469
Unreported losses	219,840	40,701	179,139
Total at beginning of year	491,296	93,688	397,608
Change in provision during the year	49,847	16,159	33,688
Claims settled during the year	(159,702)	(40,946)	(118,756)
Balance at end of year	381,441	68,901	312,540
Unearned premium			
At beginning of year	142,473	36,987	105,486
Change in provision during the year	(115,045)	(31,520)	(83,525)
Balance at end of year	27,428	5,467	21,961
Accrued insurance premium			
At beginning of year	87,879	19,063	68,816
Movement during the year	(79,339)	(17,289)	(62,050)
Balance at end of year	8,540	1,774	6,766
Deferred policy acquisitions costs			
At beginning of year	18,414	499	17,915
Movement during the year	(13,618)	(452)	(13,166)
Balance at end of year	4,796	47	4,749

18. INSURANCE PAYABLES

	US$ '000	
	2021	2020
Due within 12 months	**49,863**	80,664
	49,863	80,664

19. OTHER LIABILITIES

	US$ '000	
	2021	2020
Provision for probable loss estimates in a subsidiary (note 34 (iii))	**7,613**	13,462
Non-reinsurance payables	**6,990**	10,029
Post-employment benefits (note 28)	**5,436**	6,652
Accrued expenses	**6,719**	5,872
Dividends payable	**234**	321
Reinsurance premiums accrued	**1,219**	1,189
Other	**882**	1,147
	29,093	38,672
Balances due:		
- Within 12 months	**23,657**	32,020
- After 12 months	**5,436**	6,652
	29,093	38,672

20. SHAREHOLDERS' EQUITY

i) Share capital:

a) Composition

	US$ '000	
	2021	2020
Authorised		
500 million ordinary shares of US$ 1 each	**500,000**	500,000
Issued, Subscribed and Fully Paid-up		
220 million (2020: 220 million) ordinary shares of US$ 1 each	**220,000**	220,000

The company's shares are listed on Bahrain Bourse. The company delisted from Dubai Financial Market (DFM) on 11 January 2021 after obtaining necessary regulatory approvals.

b) Major Shareholders

Shareholders who have an interest of 5% or more of the outstanding and issued shares are as shown below:

Name	Nationality	No. of shares (in millions)		% of total outstanding shares		% of total issued shares	
		2021	2020	**2021**	2020	**2021**	2020
Central Bank of Libya	**Libya**	**31.8**	31.8	**16.0**	16.1	**14.4**	14.4
Emirates Investment Authority	**UAE**	**30.5**	30.5	**15.4**	15.4	**13.8**	13.8
General Pension & Social Security Authority	**UAE**	**27.5**	27.5	**13.9**	13.9	**12.5**	12.5
Ahmed Omar Salem Alkorbi	**UAE**	**21.7**	21.7	**10.9**	10.9	**9.9**	9.9
Kuwait Investment Authority	**Kuwait**	**20.0**	20.0	**10.1**	10.1	**9.1**	9.1
Emirates Development Bank	**UAE**	**11.0**	11.0	**5.6**	5.6	**5.0**	5.0

c) Shareholding pattern

The shareholding pattern in the outstanding shares of the Company is as follows:

Shares	No. of shares (in millions)		No. of shareholders		% of total outstanding shares	
	2021	2020	**2021**	2020	**2021**	2020
Less than 1%	**42.5**	40.8	**4,282**	4,384	**21.5%**	20.6%
1% to 5%	**13.1**	14.7	**4**	4	**6.6%**	7.4%
5% to 10%	**11.0**	11.0	**1**	2	**5.6%**	5.6%
10% and above	**131.5**	131.5	**5**	5	**66.4%**	66.4%

ii) Treasury stock:

The Company held 21,885,118 of its own shares at 31 December 2021 (2020: 21,967,818 shares) which are carried at cost of US$ 14,793,000 (2020: US$ 14,793,000).

20. SHAREHOLDERS’ EQUITY (CONTD.)

iii) Legal reserve:

In accordance with applicable legal provisions and Articles of Association, the Group is required to set aside 10% of net profits each year to build a Legal reserve up to a maximum of 100% of the paid up value of its share capital.

iv) Investment revaluation reserve:

Investment revaluation reserve comprises gains or losses arising from remeasurement of available for sale investment assets. These gains or losses are carried in the reserve until the assets are disposed of, at which time the gains or losses are included in income.

v) Property revaluation reserve:

Property revaluation reserve represents the difference between the cost of land and buildings less accumulated depreciation and their fair values. Further, the difference between depreciation based on the revalued carrying amounts and the depreciation based on original cost of the property is transferred directly from property revaluation reserve to retained earnings.

vi) Capital management:

The Group’s total capital comprises paid-up capital, legal reserve and retained earnings less treasury shares. The Group’s policy is to maintain a strong capital base so as to maintain client, investor and market confidence and to sustain future development of the business. The parent company is regulated by Central Bank of Bahrain, which sets and monitors capital requirement for the parent company. Central Bank of Bahrain (CBB) requires the parent company to compute the solvency margin requirement and disclose it in the annual report in accordance with provisions of the CBB Rule Book. The company is in compliance with the required margin of solvency.

Additionally, the Company manages its capital adequacy on an evaluation of its capital requirement through risk based capital models.

21. NON-CONTROLLING INTERESTS

	US$ ’000	
	2021	2020
At 1 January	**17,066**	17,952
Share of comprehensive income	**349**	(824)
Sale of subsidiary - minority interests	**-**	(62)
Subsidiary’s capital reduction - minority interests	**(4,600)**	-
At 31 December	**12,815**	17,066

22. SEGMENT INFORMATION

The Group’s reinsurance business consists of two main business segments, Non-life and Life. Non-life business primarily consists of Property, Engineering, Marine, Accident, Whole Account and Other classes. Life business mainly involves short term group life policies and long term life policies. Life portfolio does not contain investment linked policies. All operating segments' operating results are reviewed regularly by the management to make decisions about resources to be allocated to the segment and assess its performance for which discrete financial information is available.

22. SEGMENT INFORMATION (CONTD.)

i) ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

	US$ '000								
	Year ended 31 December 2021								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole account	Others	Short term	Long term	
REVENUES:									
Gross premiums written*	(1,134)	(253)	(1,285)	(775)	69	(459)	222	146	(3,469)
Outward reinsurance premiums	(1,121)	(501)	66	26	643	9	(17)	(104)	(999)
Change in unearned premiums - gross	49	2,584	255	243	14,343	5,182	-	150	22,806
Change in unearned premiums - reinsurance	-	(207)	(10)	-	(4,321)	-	-	-	(4,538)
Earned premiums	(2,206)	1,623	(974)	(506)	10,734	4,732	205	192	13,800
Investment income attributable to insurance funds	1,519	124	171	256	19	1,054	803	323	4,269
	(687)	1,747	(803)	(250)	10,753	5,786	1,008	515	18,069
COSTS AND EXPENSES:									
Gross claims paid	(10,704)	(6,983)	(2,493)	(833)	(66,476)	(4,565)	(2,203)	(167)	(94,424)
Claims recovered from reinsurers	416	590	319	47	23,523	18	-	1	24,914
Change in provision for outstanding claims - gross	9,958	5,286	5,880	1,283	16,995	2,553	1,605	(175)	43,385
Change in provision for outstanding claims - reinsurance	(538)	(230)	(297)	(12)	(6,222)	(202)	(2)	1	(7,502)
Change in provision for unreported losses - gross	9,768	4,565	3,891	1,916	39,487	3,409	6,164	(4,164)	65,036
Change in provision for unreported losses - reinsurance	(426)	(667)	(223)	(72)	(14,235)	(818)	(7)	-	(16,448)
Claims and related expenses	8,474	2,561	7,077	2,329	(6,928)	395	5,557	(4,504)	14,961
Policy acquisition costs	1,259	165	363	437	(3,842)	238	(196)	67	(1,509)
Policy acquisition costs recovered from reinsurers	23	(78)	(36)	(26)	12	(1)	-	-	(106)
Change in deferred policy acquisition costs - gross	(14)	(828)	(70)	(59)	-	35	-	(2)	(938)
Change in deferred policy acquisition costs - reinsurance	-	82	3	-	-	-	-	-	85
Policy acquisition costs	1,268	(659)	260	352	(3,830)	272	(196)	65	(2,468)
Operating expenses	(2,388)	(1,214)	(759)	(497)	(102)	(1,048)	(709)	(128)	(6,845)
Underwriting result	6,667	2,435	5,775	1,934	(107)	5,405	5,660	(4,052)	23,717

*Gross premiums written are negative due to reversal of excess pipeline estimates of prior years and cessation of new business underwriting by the Company effective 13 August 2020.

22. SEGMENT INFORMATION (CONTD.)

i) ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

	US$ '000								
	Year ended 31 December 2020								
	Non-life						Life		Total
	Property	Engineering	Marine	Accident	Whole account	Others	Short term	Long term	
REVENUES:									
Gross premiums written*	(2,948)	758	(278)	(457)	(10,437)	(3,126)	(1,098)	291	(17,295)
Outward reinsurance premiums	(1,537)	(187)	62	100	4,779	(82)	(83)	(25)	3,027
Change in unearned premiums - gross	3,164	7,069	2,226	1,056	85,337	12,479	1,869	(47)	113,153
Change in unearned premiums - reinsurance	(123)	(992)	(122)	(11)	(29,183)	-	-	-	(30,431)
Earned premiums	(1,444)	6,648	1,888	688	50,496	9,271	688	219	68,454
Investment income attributable to insurance funds	918	32	99	155	297	635	491	197	2,824
	(526)	6,680	1,987	843	50,793	9,906	1,179	416	71,278
COSTS AND EXPENSES:									
Gross claims paid	(19,633)	(10,486)	(6,994)	(1,383)	(93,360)	(19,815)	(7,656)	(375)	(159,702)
Claims recovered from reinsurers	1,487	798	834	112	37,640	73	-	2	40,946
Change in provision for outstanding claims - gross	26,713	5,520	5,118	897	16,321	6,866	2,898	87	64,420
Change in provision for outstanding claims - reinsurance	(10,919)	(280)	(1,959)	15	(9,523)	(162)	-	3	(22,825)
Change in provision for unreported losses - gross	14,932	3,839	2,150	2,978	18,182	12,178	5,872	(3,361)	56,770
Change in provision for unreported losses - reinsurance	(721)	(488)	(227)	(193)	(9,035)	(543)	(11)	-	(11,218)
Claims and related expenses	11,859	(1,097)	(1,078)	2,426	(39,775)	(1,403)	1,103	(3,644)	(31,609)
Policy acquisition costs	1,223	290	216	200	(15,658)	1,161	209	30	(12,329)
Policy acquisition costs recovered from reinsurers	(209)	(159)	(9)	(38)	12	11	-	-	(392)
Change in deferred policy acquisition costs - gross	(1,054)	(2,350)	(702)	(319)	(192)	(2,264)	(75)	(1)	(6,957)
Change in deferred policy acquisition costs - reinsurance	40	359	48	4	-	2	-	-	453
Policy acquisition costs	-	(1,860)	(447)	(153)	(15,838)	(1,090)	134	29	(19,225)
Operating expenses	(2,535)	(1,288)	(788)	(526)	(78)	(1,219)	(1,063)	(188)	(7,685)
Underwriting result	8,798	2,435	(326)	2,590	(4,898)	6,194	1,353	(3,387)	12,759

*Gross premiums written are negative due to reversal of excess pipeline estimates of prior years and cessation of new business underwriting by the Company effective 13 August 2020.

22. SEGMENT INFORMATION (CONTD.)

ii) Analysis of premiums and non-current asset based on geographical location of the risk insured and location of the asset respectively:

	US$ '000			
	2021		2020	
	Premium	**Non-current assets**	Premium	Non-current assets
from:				
- Middle East	**(2,827)**	**21,918**	(6,538)	22,815
- Africa	**-**	**2,123**	-	2,533
- Asia	**-**	**1,506**	-	1,798
- Others	**(642)**	**16,946**	(10,757)	19,220
	(3,469)	**42,493**	(17,295)	46,366

There is no significant cedant group as the portfolio is diversified.

iii) Analysis of segment assets and liabilities:

	US$ '000									
	2021									
	Non-Life						**Life**		**Corporate**	**Total**
	Property	**Engineering**	**Marine**	**Accident**	**Whole**	**Others**	**Short term**	**Long term**		
Reinsurance assets	**9,535**	**11,889**	**10,316**	**3,259**	**68,461**	**5,717**	**439**	**1,002**	**-**	**110,618**
Cash	**4,374**	**3,928**	**2,044**	**1,701**	**6,057**	**2,688**	**1,450**	**2,075**	**34,738**	**59,055**
Investments	**37,875**	**35,347**	**16,148**	**12,940**	**44,966**	**25,515**	**14,172**	**20,640**	**217,367**	**424,970**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,049**	**19,049**
	51,784	**51,164**	**28,508**	**17,900**	**119,484**	**33,920**	**16,061**	**23,717**	**271,154**	**613,692**
Reinsurance liabilities	**45,876**	**45,337**	**26,351**	**16,299**	**118,572**	**29,417**	**13,472**	**19,874**	**-**	**315,198**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19,536**	**19,536**
	45,876	**45,337**	**26,351**	**16,299**	**118,572**	**29,417**	**13,472**	**19,874**	**19,536**	**334,734**

22. SEGMENT INFORMATION (CONTD.)

iii) Analysis of segment assets and liabilities:

	US$ '000									
	2020									
	Non-Life						Life		Corporate	Total
	Property	Engineering	Marine	Accident	Whole	Others	Short term	Long term		
Reinsurance assets	12,562	13,386	11,919	3,136	160,916	11,565	991	788	-	215,263
Cash	9,944	7,586	4,391	2,984	4,943	10,828	4,206	3,057	52,561	100,500
Investments	52,669	41,590	23,587	14,373	51,189	61,250	23,902	17,472	168,571	454,603
Others	-	-	-	-	-	-	-	-	20,266	20,266
	75,175	62,562	39,897	20,493	217,048	83,643	29,099	21,317	241,398	790,632
Reinsurance liabilities	59,511	49,657	32,756	16,763	239,637	63,940	21,372	15,632	-	499,268
Others	-	-	-	-	-	-	-	-	28,937	28,937
	59,511	49,657	32,756	16,763	239,637	63,940	21,372	15,632	28,937	528,205

23. INVESTMENT INCOME

	US$ '000		
	2021		
	Insurance funds	Shareholders' funds	Total
Interest income			
- Investments designated at fair value through profit or loss	**416**	**484**	**900**
- Others	**3,542**	**4,552**	**8,094**
Realised gains on available for sale	**1,170**	**1,345**	**2,515**
Gain (loss) on fair value measurement of investments at fair value through profit or loss			
- Held for trading investments	**217**	**252**	**469**
- Investments designated at fair value through profit or loss	**(391)**	**(582)**	**(973)**
Impairment loss-available for sale			
- Debt Securities	**(193)**	**(223)**	**(416)**
- Other	**(197)**	**(249)**	**(446)**
Income from associates	**-**	**125**	**125**
Other	**(295)**	**(365)**	**(660)**
	4,269	**5,339**	**9,608**

	US$ '000		
	2020		
	Insurance funds	Shareholders' funds	Total
Interest income			
- Investments designated at fair value through profit or loss	722	447	1,169
- Others	5,966	4,057	10,023
Dividends	35	21	56
Realised gains on available for sale	2,020	1,442	3,462
(Loss) gain on fair value measurement of investments at fair value through profit or loss			
- Held for trading investments	(4,712)	(2,915)	(7,627)
- Investments designated at fair value through profit or loss	1,164	714	1,878
Impairment loss-available for sale			
- Other	(983)	(698)	(1,681)
Income from associates	-	8	8
Other	(1,388)	(952)	(2,340)
	2,824	2,124	4,948

24. OPERATING EXPENSES

	US$ '000 2021		
	Underwriting	**Non-Underwriting**	**Total**
Salaries and benefits	**3,773**	**2,548**	**6,321**
General and administration	**3,072**	**1,600**	**4,672**
	6,845	**4,148**	**10,993**

	US$ '000 2020		
	Underwriting	Non-Underwriting	Total
Salaries and benefits	5,707	2,512	8,219
General and administration	1,978	3,085	5,063
	7,685	5,597	13,282

25. OTHER INCOME

	US$ '000	
	2021	2020
Foreign exchange gain	**-**	1,474
Government support scheme (COVID 19)	**-**	441
Third party administration services	**356**	844
Reversal of provisions	**2,200**	2,998
Other	**911**	526
	3,467	6,283

26. OTHER EXPENSES AND PROVISIONS

	US$ '000	
	2021	2020
Foreign exchange loss	**2,772**	-
Investment property impairment and depreciation	**-**	528
(Write back) provision for doubtful receivables & deposits	**(24)**	90
Run-off expenses	**-**	851
Other, net	**1,216**	1,321
	3,964	2,790

27. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

Basic and diluted earnings per share has been computed as follows:

		2021	2020
Weighted average number of shares outstanding	'000	**198,115**	198,032
Net profit	US$'000	**24,065**	13,558
Earnings per share	US cents	**12.1**	6.8

28. POST EMPLOYMENT BENEFITS

The Group operates a number of post-employment plans on defined benefit basis. Eligibility for participation in the defined benefit plans is based on completion of a specified period of continuous service or date of hire. Benefits are based on the employee's years of service.

The principal assumptions used for accounting purposes were:

	2021	2020
Discount rate	**3.2%**	3.5%
Expected return on assets	**3.2%**	3.5%
Future salary increases	**3.3%**	3.3%

The change in assumptions does not have material impact on the liability recognised.

The movements in the liability recognised in the consolidated statement of financial position are:

	US$ '000	
	2021	2020
Balance at 1 January	**6,652**	7,210
Accruals for the year	**425**	754
Payments during the year	**(1,641)**	(1,312)
Balance at 31 December	**5,436**	6,652

29. FORWARD FOREIGN EXCHANGE CONTRACTS

In the ordinary course of its business, the Group uses forward foreign exchange contracts to hedge its exposure in respect of foreign currency denominated investments and insurance liabilities. In the event that the item being hedged is sold or settled prior to maturity of the forward foreign exchange contract, it is generally the Group's policy to enter into another offsetting forward foreign exchange contract of the same amount and maturity date. The notional amounts of these financial instruments are not recognised in the Group's consolidated financial statements but their fair values are recognised as assets or liabilities, as appropriate, with changes in fair value being taken to the consolidated statement of profit or loss. The contracts oblige the Group to exchange cash flows to be received in the future from foreign currency denominated investments for U.S. Dollars at predetermined exchange rates. The counter parties in respect of these transactions are leading financial institutions.

i. Forward foreign exchange contracts – by currency:

	US$ '000			
	2021		2020	
	Notional amount purchases	**Notional amount sales**	Notional amount purchases	Notional amount sales
Euro	**-**	**14,292**	-	14,460
Pound Sterling	**-**	**3,810**	-	2,793
Japanese Yen	**-**	**-**	-	-
Others	**-**	**-**	-	-
	-	**18,102**	-	17,253

Notional amounts are the contract amounts used to calculate the cash flows to be exchanged. They are a common measure of the volume of outstanding transactions, but do not represent credit or market risk exposures.

ii. Forward foreign exchange contracts - remaining term to maturity:

All of the forward foreign exchange contracts outstanding are due in one year or less.

iii. Forward foreign exchange contracts - unrealised gains and losses:

The following table summarises the fair value of the Group's hedging portfolio of forward foreign exchange contracts at the statement of financial position date, segregating the items between those that are in an unrealised gain position from those that are in an unrealised loss position.

	US$ '000			
	2021		2020	
	Purchases	**Sales**	Purchases	Sales
Unrealised gains	**-**	**304**	-	-
Unrealised losses	**-**	**-**	-	(604)
	-	**304**	-	(604)

30. RECONCILIATION OF NET RESULT TO CASH FLOWS FROM OPERATING ACTIVITIES

	US$ '000	
	2021	2020
Profit for the year	**24,411**	12,667
Change in insurance funds	**(113,666)**	(153,839)
Change in insurance receivable/payable, net	**12,790**	35,078
Change in accrued income	**6,638**	62,572
Change in other assets/liabilities, net	**(11,423)**	5,012
Net cash used in operating activities	**(81,250)**	(38,510)

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIIVTIES

	US$ '000			
	Borrowings	**Borrowings cost**	**Dividends**	**Non-controlling interest**
Balances at 31 December 2019	7,000	75	2,739	17,952
Share of comprehensive income	-	-	-	(824)
Sale of subsidiary - minority interests	-	-	-	(62)
Repayment of borrowings	(7,000)	-	-	-
Interest paid during the year	-	(187)	-	-
Interest expense for the year	-	112	-	-
Dividends paid during the year	-	-	(2,418)	-
Balances at 31 December 2020	**-**	**-**	**321**	**17,066**
Share of comprehensive income	**-**	**-**	**-**	**349**
Exchange adjustments on dividends	**-**	**-**	**(87)**	**-**
Subsidiary's capital reduction	**-**	**-**	**-**	**(4,600)**
Balances at 31 December 2021	**-**	**-**	**234**	**12,815**

32. FAIR VALUE DISCLOSURE

The following table presents the fair values of the Group's financial instruments:

	US$ '000 2021 Book value						
	At fair value through profit or loss	**Loans and receivables**	**Held to maturity**	**Available for sale**	**Amortised cost**	**Total**	**Fair value**
ASSETS							
Cash and bank balances	**-**	**59,055**	**-**	**-**	**-**	**59,055**	**59,055**
Investments	**105,417**	**360**	**14,062**	**304,606**	**-**	**424,445**	**424,664**
Accrued income	**-**	**2,148**	**-**	**-**	**-**	**2,148**	**2,148**
Insurance receivables	**-**	**29,141**	**-**	**-**	**-**	**29,141**	**29,141**
Insurance deposits	**-**	**21,728**	**-**	**-**	**-**	**21,728**	**21,728**
Other assets	**-**	**20,607**	**-**	**-**	**-**	**20,607**	**20,607**
LIABILITIES							
Insurance payables	**-**	**-**	**-**	**-**	**49,863**	**49,863**	**49,863**
Other liabilities	**-**	**-**	**-**	**-**	**14,761**	**14,761**	**14,761**

	US$ '000 2020 Book value						
	At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	Fair value
ASSETS							
Cash and bank balances	-	100,500	-	-	-	100,500	100,500
Investments	136,773	265	7,921	309,153	-	454,112	454,652
Accrued income	-	8,786	-	-	-	8,786	8,786
Insurance receivables	-	72,732	-	-	-	72,732	72,732
Insurance deposits	-	20,917	-	-	-	20,917	20,917
Other assets	-	36,348	-	-	-	36,348	36,348
LIABILITIES							
Insurance payables	-	-	-	-	80,664	80,664	80,664
Other liabilities	-	-	-	-	19,338	19,338	19,338

The information disclosed in the table above is not indicative of the net worth of the Group.

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 in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

32. FAIR VALUE DISCLOSURE (CONTD.)

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximize the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

i) General:

The book values of the Group's financial instruments except investments and forward foreign exchange contracts were deemed to approximate fair value due to the immediate or short term maturity of these financial instruments.

Hence, the fair value measurement details are not disclosed.

ii) Investments:

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

  Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation includes risk free and benchmark interest rates, bond and equity prices, and foreign exchange rates. The objective of valuation techniques is to arrive at fair value measurement that reflects the price that would be received on sale of the asset at the measurement date.

The table below analyses financial instruments, measured at fair value as at the end of the year, by level in the fair value hierarchy into which the fair value measurement is categorized:

32. FAIR VALUE DISCLOSURE (CONTD.)

	US$'000			
2021	**Level 1**	**Level 2**	**Level 3**	**Total**
At fair value through profit or loss				
Designated at fair value on initial recognition				
Debt securities	**18,383**	**87,034**	**-**	**105,417**
Available for sale				
Debt securities	**146,308**	**140,982**	**-**	**287,290**
Common stock of unlisted companies	**-**	**-**	**3,205**	**3,205**
Other	**-**	**-**	**14,111**	**14,111**
Forward foreign exchange contracts	**-**	**304**	**-**	**304**
	164,691	**228,320**	**17,316**	**410,327**

	US$'000			
2020	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	18,567	-	-	18,567
Designated at fair value on initial recognition				
Debt securities	69,298	48,908	-	118,206
Available for sale				
Debt securities	108,997	177,468	-	286,465
Common stock of listed companies	3,103	-	-	3,103
Common stock of unlisted companies	-	-	3,349	3,349
Other	-	-	16,236	16,236
Forward foreign exchange contracts	-	(604)	-	(604)
	199,965	225,772	19,585	445,322

32. FAIR VALUE DISCLOSURE (CONTD.)

The tables below show movements in the Level 3 financial assets measured at fair value:

	US$'000		
	Unlisted equity	**Others**	**Total**
Balance at 1 January 2021	**3,349**	**16,236**	**19,585**
Gain recognised in:			
- Other comprehensive income	**179**	**1,180**	**1,359**
Investments made during the year	**12**	**518**	**530**
Investments redeemed during the year	**(335)**	**(3,823)**	**(4,158)**
Balance at 31 December 2021	**3,205**	**14,111**	**17,316**

	US$'000		
	Unlisted equity	Others	Total
Balance at 1 January 2020	4,653	17,868	22,521
Gain recognised in:			
- Other comprehensive income	(1,241)	(340)	(1,581)
Investments made during the year	27	1,010	1,037
Investments redeemed during the year	(90)	(2,302)	(2,392)
Balance at 31 December 2020	3,349	16,236	19,585

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the observable / unobservable inputs. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change occurred. For the year ended 31 December 2021, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2020: US$ 225.8 million were transferred from level 1 to level 2). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments and given the inherent uncertainty of assumptions regarding capitalisation rates, discount rates, leasing and other factors, the amount which will be realized by the Company on the disposal of its investments may differ significantly from the values at which they are carried in the consolidated financial statements, and the difference could be material.

iii. Forward foreign exchange contracts:

The fair value of forward foreign exchange contracts, used for hedging purposes, is based on quoted market prices.

32. FAIR VALUE DISCLOSURE (CONTD.)

iv. Fair value less than carrying amounts:

The fair value of fixed interest debt securities fluctuates with changes in market interest rates. The book value of financial assets held to maturity has not been reduced to fair value where lower, because such market rate variations are considered temporary in nature and management intends, and has the financial resources and capacity, to generally hold such investments to maturity.

33. TEMPORARY EXEMPTION FROM IFRS 9 DISCLOSURE

2021

a) Fair value and changes in fair value:

	US$ '000	
	Fair value	**Changes in fair value during the year**
i) Financial assets having cash flows that are solely payment of principal and interest.	**218,674**	**25,226**
ii) All other financial assets that are not solely payment of principal and interest.	**277,112**	**10,614**
	495,786	**35,840**

b) Credit risk exposure relating to note 33 (a (i)) above:

	US$ '000	
	Book value	**Fair value**
Supra-nationals and OECD country governments	**27,850**	**27,850**
Other investment grade	**144,531**	**144,653**
Other	**46,074**	**46,171**
	218,455	**218,674**

33. TEMPORARY EXEMPTION FROM IFRS 9 DISCLOSURE (CONTD.)

2020

a) Fair value and changes in fair value

	US$ '000	
	Fair value	Changes in fair value during the year
i) Financial assets having cash flows that are solely payment of principal and interest.	214,702	3,855
ii) All other financial assets that are not solely payment of principal and interest.	378,733	203
	593,435	4,058

b) Credit risk exposure relating to note 33 (a (i)) above:

	US$ '000	
	Book value	Fair value
Supra-nationals and OECD country governments	10,044	10,044
Other investment grade	164,726	165,007
Other	39,391	39,651
	214,161	214,702

34. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and Associates:

At 31 December 2021, the principal subsidiaries of the Company were:

	Country of Incorporation	Ownership	Non-controlling Interests	Principal Activities
Arig Capital Limited (under run-off)	United Kingdom	100%	Nil	Reinsurance
Gulf Warranties W.L.L. (under voluntary liquidation)	Kingdom of Bahrain	100%	Nil	Warranty
Takaful Re Limited (under run-off)	United Arab Emirates	54%	46%	Retakaful Insurance

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2020 except for Takaful Re Limited where capital was reduced from US$ 75 million to US$ 65 million. The Company sold its 24% equity share in Globemed during December 2021 and still holds 49% of the equity share in its associate company Arima Insurance software W.L.L.

34. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)

Financial statements of Takaful Re Limited (TRL), Gulf Warranties W.L.L. (GWL) and Arig Capital Limited (ACL) are not prepared on going concern basis as TRL and ACL are under run-off and GWL is under voluntary liquidation.

ii) Interest in Subsidiaries: Takaful Re Limited:

	US$ '000	
	2021	2020
Non-controlling interests	**46%**	46%
Total assets	**39,417**	51,619
Total liabilities	**11,558**	14,517
Net Assets	**27,859**	37,102
Revenue	**109**	188
Profit (loss) for the year	**753**	(1,938)
Total comprehensive income	**758**	(1,796)
Comprehensive income attributable to non-controlling interests	**349**	(826)
Net cash used in operating activities	**(1,972)**	(1,513)
Net cash provided by (used in) investing activities	**3,664**	(4,272)
Net cash used in financing activities	**(10,000)**	-
Net decrease in cash and cash equivalents	**(8,308)**	(5,785)

The subsidiary's policyholder funds are consolidated as these funds are controlled and managed by the subsidiary which is in a position to direct activities and operations.

iii) Interest in Subsidiaries: Gulf Warranties W.L.L.:

The Group's subsidiary's GWL in 2018, based on management's assessments had provided for probable loss of US$ 21.5 million. Following settlement of certain liabilities the provision have been reduced to US$ 7.6 million in the books of the subsidiary and consequently in the consolidated financial statements of the Group. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

35. RELATED PARTY TRANSACTIONS

Related parties represent the Company's major shareholders, associate companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties.

Government of UAE controls 31.3% of issued shares in the Group through major shareholders Emirates Investment Authority, General Pension and Social Security Authority and Emirates Development Bank while Government of Libya controls 14.4% of issued shares in the Group through Central Bank of Libya. The Group does not have any significant transactions with these governments and entities controlled, jointly controlled or significantly influenced by these governments.

35. RELATED PARTY TRANSACTIONS (CONTD.)

The following is the summary of transactions with related parties:

i) Associate companies:

	US$ '000	
	2021	2020
a) Service fees for administration services provided by associate	**447**	473
b) Balances outstanding		
- Payables	**198**	57

ii) Compensation to directors and key management personnel:

	US$ '000	
	2021	2020
a) Directors		
- Remuneration proposed / paid	**500**	18
- Attendance fees	**267**	145
- Travel expenses	**4**	23
b) Key management compensation		
- Salaries and other short-term employee benefits	**347**	592
- Post-employment benefits	**49**	131
- Others	**15**	26
c) Balances payable to key Management	**566**	517

All transactions with related parties are conducted on an arm's length basis. All outstanding balances from related parties are expected to be settled within 12 months. No provisions have been required in 2021 and 2020 for any outstanding amounts due from related parties.

36. PARENT COMPANY

The unconsolidated statement of financial position of the parent company, Arab Insurance Group (B.S.C.), is presented below.

	Note	US$ '000	
		2021	2020
ASSETS			
Cash and bank balances		**37,354**	64,859
Investments		**371,574**	370,745
Accrued income		**2,047**	8,562
Insurance receivables		**10,071**	12,935
Insurance deposits		**21,348**	20,691
Deferred policy acquisition costs		**111**	947
Reinsurers' share of technical provisions		**10,559**	14,078
Other assets		**47,266**	86,122
Investment in subsidiaries and associates		**15,569**	20,526
Property and equipment		**6,817**	7,098
TOTAL ASSETS		**522,716**	606,563
LIABILITIES			
Technical provisions		**184,518**	284,021
Insurance payables		**27,694**	31,303
Other liabilities		**44,361**	45,878
TOTAL LIABILITIES		**256,573**	361,202
SHAREHOLDERS' EQUITY	20		
Share capital		**220,000**	220,000
Treasury stock		**(14,793)**	(14,793)
Reserves		**54,988**	56,090
Retained earnings (accumulated losses)		**5,948**	(15,936)
TOTAL SHAREHOLDER'S EQUITY		**266,143**	245,361
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**522,716**	606,563

37. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The directors propose to recommend the following appropriations for approval of shareholders at the Annual General Assembly meeting to be held on 29 March 2022:

	US$ '000
Cash dividend of US$ 0.025 per share of US$ 1 each	**5,500**
Directors' remuneration	**500**

ARAB INSURANCE GROUP (B.S.C.)

(The attached supplementary disclosure does not form part of the consolidated financial statements)

ARAB INSURANCE GROUP (B.S.C.)

SUPPLEMENTARY DISCLOSURE TO THE CONSILIDATED FINANCIAL STATEMENTS RELATED TO THE FINANCIAL IMPACT OF COVID 19

On 11 March 2020, the Coronavirus (COVID 19) outbreak was declared a pandemic by the World Health Organization (WHO) and has rapidly evolved globally. COVID 19 has also brought about significant uncertainties in the global economic environment. Authorities have taken various measures to contain the spread including implementation of travel restrictions and quarantine measures.

The management has been closely monitoring the impact of the COVID 19 developments on the Group's operations and financial position; including possible loss of revenue, impact on asset valuations, impairment etc. The Group has also put in place contingency measures, which include but are not limited to enhancing and testing of business continuity plans.

In preparing the consolidated financial statement, judgements made by management in applying the Group's accounting policies and sources of estimation are subject to uncertainty regarding the potential impacts of the current economic volatility and these are considered to represent management's best assessment based on available or observable information.

The pandemic as well as the resulting measures have had an impact on the Group, particularly:

- Reduction in asset valuations for which the Group has made adequate provision for impairment.
- Investment losses due to market volatility and economic downturn
- Increase in General expense due to costs related to the necessary precautionary measures and business continuity plan requirements.
- Capital costs related to implementing contingency remote working plans

The overall direct impact of COVID 19 pandemic on the financial statements as at 31 December 2021 as assessed by the Group is as below:

	US$ '000
	31 December 2021
FINANCIAL COSTS	
Sterilization & disinfection of premises, sanitizers, masks & gloves, depreciation, software license, etc	**85**
	85

CAPITAL EXPENDITURE	**US$ '000**
	31 December 2021
Cost of laptops and printers	**2**
	2

SUPPLEMENTARY DISCLOSURE TO THE CONSILIDATED FINANCIAL STATEMENTS RELATED TO THE FINANCIAL IMPACT OF COVID 19 (CONTD.)

The above supplementary information is provided to comply with the CBB circular reference OG/259/2020 (Financial impact of COVID 19) dated 14 July 2020.

The disclosure should not be considered as an indication of the results of the entire year or relied upon for any other purposes. Since the situation of COVID 19 is uncertain and is still evolving, the above is as of date of the preparation of this information. Circumstances may change which may result in this information to be out of date. In addition, this information does not represent the full comprehensive assessment of COVID 19 impact on the Group. This information is not subject to a formal review by the external auditors.