OFFEREE BOARD CIRCULAR DATED 10 December 2023

THIS OFFEREE BOARD CIRCULAR ("CIRCULAR") IS IMPORTANT AS IT CONTAINS THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS OF ARAB INSURANCE GROUP B.S.C. ("ARIG" OR THE "OFFEREE") AND THE ADVICE OF THE PROFESSIONAL INDEPENDENT ADVISER. THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

Prior to making a decision, each recipient of this Circular is responsible for obtaining independent advice for considering the appropriateness of the Offer with regard to their respective objectives, financial situation and investment needs. If you are in doubt about any aspect of this Circular, you should consult a licensed securities dealer or licensed institution in securities, a bank manager, solicitor or attorney, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in ARIG you should immediately forward this Circular together with the Offer Document and Acceptance and Transfer Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

ARAB INSURANCE GROUP B.S.C.

(Incorporated in the Kingdom of Bahrain under Commercial Registration No.: 10701-1)

CIRCULAR TO SHAREHOLDERS OF ARAB INSURANCE GROUP B.S.C.

in relation to the

Gulf Tamin Ltd. partial offer to acquire 22,001,000 of the issued ordinary shares of Arab Insurance Group B.S.C. by way of a cash purchase price of USD 0.53 for each 1 share of Arab Insurance Group B.S.C., representing approximately 10% of the issued and fully paid-up ordinary shares of Arab Insurance Group B.S.C.

GULF TAMIN LTD. ("Gulf Tamin")

PROFESSIONAL INDEPENDENT ADVISER	LEGAL ADVISOR TO ARIG
BDO Consulting W.L.L.	Hassan Radhi and Associates
(Commercial Registration No.: 51811-1)	(Commercial Registration No.: 95791-1)

DISCLAIMER STATEMENT

THE CENTRAL BANK OF BAHRAIN, THE BAHRAIN BOURSE AND THE MINISTRY OF INDUSTRY AND COMMERCE IN THE KINGDOM OF BAHRAIN ASSUME NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS OFFEREE BOARD CIRCULAR AND EXPRESSLY DISCLAIM ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM THE RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS OFFEREE BOARD CIRCULAR.

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P. O. Box 26992,
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Arab Insurance Group B.S.C.

(Incorporated in the Kingdom of Bahrain under Commercial Registration No.: 10701-1)

OFFEREE BOARD CIRCULAR

DIRECTORS' DECLARATION

UNLESS OTHERWISE STATED IN THIS CIRCULAR, THE DIRECTORS OF ARAB INSURANCE GROUP B.S.C. ISSUING THIS OFFEREE BOARD CIRCULAR, WHOSE NAMES APPEAR IN THIS DOCUMENT, JOINTLY AND SEVERALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF INFORMATION CONTAINED IN THIS CIRCULAR INCLUDING THE APPENDICES. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THIS CIRCULAR IS IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSIONS LIKELY TO AFFECT THE IMPORTANCE AND COMPLETENESS OF THIS CIRCULAR.

STATEMENT FROM THE BOARD OF DIRECTORS OF ARAB INSURANCE GROUP B.S.C.

This Offeree Board Circular has been prepared by the Board of Directors Arab Insurance Group B.S.C. to provide information to its shareholders in connection with the Gulf Tamin Ltd. partial offer to acquire 22,001,000 of the issued ordinary shares of Arab Insurance Group B.S.C. by way of a cash purchase price of USD 0.53 for each 1 share of Arab Insurance Group B.S.C., representing approximately 10% of the issued and fully paid-up ordinary shares of Arab Insurance Group B.S.C.

IN ACCORDANCE WITH THE TAKEOVERS, MERGERS AND ACQUISITIONS MODULE OF THE CENTRAL BANK OF BAHRAIN RULEBOOK VOLUME 6, THE RECOMMENDATIONS TO THE SHAREHOLDERS IN RELATION TO THE OFFER CONTAINED IN THIS CIRCULAR HAVE BEEN MADE BY THE BOARD OF DIRECTORS OF ARIG.

This Circular has been filed with the Central Bank of Bahrain in the Kingdom of Bahrain, in accordance with the requirements of Central Bank of Bahrain Rulebook Volume 6, Takeovers, Mergers and Acquisitions Module.

The information in this Circular regarding the Offeree has been provided by the Offeree. The Professional Independent Adviser, and the Legal Advisor make no representation or warranty, express or implied, as to the accuracy, completeness or verification of such information, and nothing contained in this Circular is, or shall be relied upon as, a promise, representation, or recommendation to any recipient of this Circular, whether as to the past or the future, in connection with the Offeree or this transaction, by the Professional Independent Adviser, and the Legal Advisor.

The Professional Independent Adviser is acting exclusively for the Offeree as a financial adviser and for no one else in connection with this transaction, and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to this transaction and will not be responsible to anyone other than the Offeree for providing the protections afforded to its clients nor for providing advice in relation to this transaction or any other matter referred to in this Circular. Neither the Professional Independent Adviser or any of its subsidiaries, branches or affiliates, nor any of their respective directors or employees owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise), and accordingly disclaims to the fullest extent permitted by law all and any responsibility and liability, to any person who is not a client of the Professional Independent Adviser in connection with the contents of this Circular or any other matter referred to in this Circular.

The information in this Circular pertaining to Offeror has been prepared in good faith based on publicly available information. Consequently, the Offeree, the Professional Independent Adviser and the Legal Advisor do not accept any liability for the accuracy, completeness or verification of the information in this Circular regarding Gulf Tamin.

The Board of Directors of Arab Insurance Group B.S.C. hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Circular is, to the best of its knowledge, in accordance with the facts and contains no material omissions.

Board of Directors of Arab Insurance Group B.S.C.:

Name of Director	Title
Mr. Saeed Mohammed Al Bahhar	Chairman
Mr. Ahmed Omar Al Karbi	Vice Chairman
Mr. Mohamed Saif Al Suwaidi	Board Member
Mr. Wael Ibrahem Abu Khzam	Board Member
Mr. Mohamed Ahmed Al Karbi	Board Member
Mr. Abdulla Saeed Al Ghfeli	Board Member

On behalf of the Board of Directors

Mr. Saeed Mohammad Al Bahhar
Chairman of the Board of Directors

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I. CORPORATE INFORMATION

Board of Directors	Mr. Saeed Mohammad Al Bahhar– Chairman Mr. Ahmed Omar Al Karbi – Vice Chairman Mr. Mohamed Saif Al Suwaidi Mr. Wael Ibrahem Abu Khzam Mr. Mohamed Ahmed Al Karbi Mr. Abdulla Saeed Al Ghfeli.
Executive Management	Mr. Samuel Verghese - Acting Chief Executive Officer
Registered Office	Arig House Building 131, Road 1702 Diplomatic Area 317 P.O. Box 26992 Manama, Kingdom of Bahrain
Share Registrar	Bahrain Clear B.S.C.(c)
Receiving Agent	SICO B.S.C.(c)
Professional Independent Advisor to the Board of Directors in relation to the Offer	BDO Consulting W.L.L.
Legal Advisor to the Offeree in relation to the Offer	Hassan Radhi and Associates
External Auditor of the Offeree	KPMG Fakhro

II. DEFINITIONS

Words and expressions not otherwise defined in this Circular have, unless the context otherwise requires, the following meanings:

Acceptance	the valid acceptance of this Offer by an ARIG Shareholder by indicating such acceptance on the Acceptance and Transfer Form and submitting the same to the Receiving Agent within the Offer Period as per the procedures prescribed in the Offer Document, and which shall only be deemed validly received by the Offeror upon the Offer being declared unconditional in all respects
Acceptance and Transfer Form	the form to be prepared by, and made available from, the Receiving Agent, a sample of which will be available at the following website: www.sicobank.com www.arig.net and the Receiving Agent may, at its sole discretion, make available an electronic website for electronic submissions of Acceptance and Transfer Forms
Adviser's Opinion or Professional Independent Adviser's Opinion	The fairness opinion dated 03 December 2023 issued by the Professional Independent Adviser to the Board containing their advice and recommendation on the Offer, set out in section VI of this Circular
ARIG or the Offeree	Arab Insurance Group B.S.C., a public Bahrain shareholding company incorporated in the Kingdom of Bahrain and registered under commercial registration number 10701-1
ARIG Shares	existing issued and fully paid-up ordinary shares of ARIG excluding any reserves or treasury shares
ARIG Board of Directors	the board of directors of ARIG
ARIG Shareholders	Holders of ARIG Shares
Bahrain	Kingdom of Bahrain
Bahrain Clear or BC	Bahrain Clear B.S.C.(c)
BHB	The Bahrain Bourse
Board	The Board of Directors of ARIG
Business Day	A day (other than a Friday or Saturday) on which banks are open for general business in the Kingdom of Bahrain
Cash Offer	USD 0.53 per share of ARIG
CBB	The Central Bank of Bahrain
CBB Rulebook	The Central Bank of Bahrain's rulebook issued and in force in the Kingdom of Bahrain
Certified Copy	a copy of a document certified as a true copy of the original by any of the following from a GCC or FATF member state indicating that the 'original was sighted' or a combination of words that give the same effect: (i) a lawyer; (ii) a notary; (iii) a chartered/certified accountant; (iv) an official of a government ministry; (v) an official of an embassy or consulate; or (vi) an official of the Offeror, Offeree, or another licensed financial institution. The individual certifying the Certified Copy must provide clear contact details that allow the recipient of the Certified Copy to check and confirm the authenticity of the document if required
Circular	This Circular to ARIG Shareholders in relation to the Offer enclosing, inter-alia, the recommendations of the Board and the Adviser's Opinion
Conditions Precedent	The conditions set out in section 5.7 of the Offer Document
Demat	Dematerialized
Director	A person holding office as a director of ARIG on the Last Practicable Date
Effective Date	if the Offer is successful, the date on which cash is successfully paid to the ARIG Shareholders who appear on the shareholder register of ARIG as at the Record Date and who accepted the Offer in accordance with the terms of the Offer Document, which date shall be no later than 10 calendar days from the Final Offer Closing Date, anticipated to be 14 February 2024
FATF	Financial Action Task Force

Final Offer Closing Date	the date falling not less than the 15th calendar day from the date of announcement of the Offer having become unconditional in all respects, anticipated to be 04 February 2024
Firm Intention	the firm intention to make an Offer issued by Offeror to the ARIG Board of Directors on 29 October 2023 a copy of which can be downloaded from www.sicobank.com , www.bahrainbourse.com and www.arig.net.
GCC	The Gulf Co-operation Council comprising the Kingdom of Bahrain, the State of Kuwait, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates
Initial Offer Closing Date	18 January 2024, being the last date, subject to the Final Offer Closing Date and any extensions as may be permissible under the TMA Module, for receiving the completed Acceptance and Transfer Forms. Any changes to such date will be announced by the Offeror
Investor Number (IN)	A unique number issued by Bahrain Clear for any investor who opens a securities depository account at Bahrain Clear
Issued Share Capital	issued and paid-up share capital of USD 220,000,000 divided into 220,000,000 ordinary shares with a nominal value of USD 1.00 each. The company held 21,885,118 shares as treasury stock as of 31 December 2022
Language of the Circular	This Circular is written in both English and Arabic languages. If there is any conflict or inconsistency between the English version and the Arabic version, the English shall be the governing and prevailing version
Last Practicable Date	the last date prior to the dispatch of this Circular to the ARIG Shareholders for the purpose of ascertaining certain information contained herein, being 6 December 2023
Last Trading Date	14 December 2023, the date falling one (1) Business Day prior to the Suspension Date
Legal Advisor	Hassan Radhi and Associates
Material Adverse Effect	means any event, occurrence or change in circumstances which individually, or when aggregated with all such other events, occurrences or changes, has or could reasonably be expected to have a material adverse effect on the business, assets, liabilities, financial position, profitability or prospects of ARIG, including the financials of ARIG found to be materially different than the 31 December 2022 published audited financials. The occurrence of a Material Adverse Effect shall be: (i) determined by the Offeror (acting reasonably); and (ii) subject to the consent of the CBB
Minor	A person who is below 21 years of age
MOIC	The Ministry of Industry and Commerce in the Kingdom of Bahrain
Offer	the partial offer made by Offeror to acquire 22,001,000 of the issued and paid-up ordinary shares of ARIG by way of the Cash Offer
Offer Document	the offer document, which is prepared in relation to the Offer, dated 19 November 2023
Offeree	ARIG
Offer Opening Date	21 December 2023, the date from which the completed Acceptance and Transfer Forms will be received by the Receiving Agents, any changes to which shall be announced by the Offeror and Offeree.
Offer Period	the period beginning on the Offer Opening Date and ending on the Final Offer Closing Date
Offeror	Gulf Tamin Ltd.
Professional Independent Adviser	BDO Consulting W.L.L., being the professional independent adviser appointed by the Board in connection with the Offer

Proration of Acceptances	the process of pro-rating valid Acceptances to 22,001,000 ARIG Shares (notwithstanding some variation due to any rounding), in the event valid Acceptances are received in excess 22,001,000 ARIG Shares, as further detailed in section 5.9 of the Offer Document
Receiving Agent	SICO being the entity appointed by the Offeror which is authorized to receive Acceptance and Transfer Forms (directly and/or electronically at the Receiving Agent's sole discretion) in accordance with the Offer Document
Record Date	20 December 2023, the date preceding the Offer Opening Date established for the purposes of identifying the ARIG Shareholders entitled to receive the Offer, changes to which date shall be announced by the Offeror
Recommendations of the Board of Directors	The recommendations of the Board to the ARIG Shareholders in relation to the Offer as set out in the Recommendation letter from the Board in section V of this Circular
Requisite Acceptances	valid Acceptances which are received in respect of ARIG Shares, representing 22,001,000 ARIG Shares (subject to the Proration of Acceptances) of the total issued share capital of ARIG and which remain unwithdrawn until the day on which the Offer is declared unconditional in all respects. In the event valid acceptances that represent approximately 10% of the Issued Share Capital of ARIG are not received by the Initial Offer Closing Date (as defined in the Offer Document), the Offeror reserves the right to seek an extension from the CBB in accordance with TMA-2.14.3
SICO	SICO B.S.C.(c)
Suspension Date	19 December 2023, the date on which trading in the ARIG Shares is suspended to enable a list of ARIG Shareholders entitled to receive the Offer to be drawn up, changes to which shall be announced by the Offeror
Suspension Period	the period during which trading in the ARIG Shares will be suspended which shall commence on the Suspension Date and will continue until the earlier of: (i) the date on which the Offer is discontinued due to failure in declaring it unconditional as to the Requisite Acceptances; (ii) the date on which the Offer is discontinued due to failure in declaring it unconditional in all respects; and (iii) the Effective Date
TMA Module	the Takeovers, Mergers and Acquisitions Module of Volume 6 of the CBB Rulebook
USD	United States Dollar, the lawful currency in the United States of America

III. EXPECTED TIMETABLE OF PRINCIPAL EVENT

Any changes to the following dates, where applicable, will be announced by the Offeror and Offeree in due course and will depend, among other things, on whether (and the dates on which) the Conditions Precedent are satisfied or waived (where applicable).

Event	Time and/or Date
Firm Intention Sent to ARIG	29 October 2023
Offer Document Sent to ARIG Board	19 November 2023
ARIG sends Board Circular to Shareholders	10 December 2023
Last Trading Date	14 December 2023
Suspension Date	19 December 2023
Record Date	20 December 2023
Offer Opening Date	21 December 2023
Initial Offer Closing Date	18 January 2024
Offer to be declared unconditional in all respects	18 January 2024
Announcement of results of the Offer (the following business day)	21 January 2024
Final Offer Closing Date (conditions have been satisfied)	4 February 2024
Announcement of results of the Offer (the following business day	5 February 2024
Settlement Date for Payment of Shares	14 February 2024

IV. LETTER TO ARIG SHAREHOLDERS FROM THE BOARD

ARAB INSURANCE GROUP B.S.C.
(Incorporated in the Kingdom of Bahrain with Commercial Registration No.: 10701-1)

Registered Office:
P.O. Box 26992
Arig House
Diplomatic Area
Manama, Kingdom of Bahrain

10 December 2023

To,

The Shareholders of Arab Insurance Group B.S.C.

Dear Sirs,

PARTIAL OFFER BY GULF TAMIN LTD TO THE SHAREHOLDERS OF ARAB INSURANCE GROUP B.S.C. ("ARIG")

1. INTRODUCTION

The Board of Directors of ARIG received a cash offer to acquire 22,001,000 of the issued and fully paid-up ordinary shares of ARIG representing approximately 10% of the issued and fully paid-up ordinary shares for a purchase price of USD 0.53 for each 1 share of Arig.

1.1. Circular

The purpose of this Circular is to provide relevant information to the ARIG Shareholders in compliance with the TMA and pertaining to the Offer and to set out the Recommendations of the Board of Directors and the Professional Independent Adviser's Opinion to the Board in relation to the Offer.

1.2. Background

1.2.1 On 29 October 2023, ARIG received from Gulf Tamin its firm intention to make a partial offer to acquire 10% of the issued and fully paid-up ordinary shares of ARIG.

1.2.2 On 16 November 2023, Gulf Tamin received from the Capital Market Supervision Directorate of the CBB a letter of no objection on the use of and dispatch of the Offer Document.

1.2.3 On 19 November 2023, ARIG received an Offer Document from Gulf Tamin to acquire 22,001,000 of the issued ordinary shares of ARIG by way of a cash purchase price of USD 0.53 for each 1 share of Arab Insurance Group B.S.C., representing approximately 10% of the issued and fully paid-up ordinary shares of ARIG, subject to fulfillment of certain Conditions Precedent as set out in section 5.7 of the Offer Document (which are replicated in paragraph 2.6 of Part V of this Circular)

1.2.4 In accordance with TMA rule 2.2.1, on 28 November 2023, the Board appointed BDO consulting W.L.L. as its Professional Independent Adviser to provide advice to the Board in respect of the financial terms of the Offer, in particular, as to whether the Offer is, or is not, fair and reasonable and as to acceptance of the Offer, once received. The fairness opinion of the Professional Independent Adviser is set out in section VI of this Circular.

1.2.5 The Acceptance and Transfer Form is enclosed with this Circular.

1.2.6 The ARIG Shareholders should, at a minimum, carefully and diligently consider the following before deciding on whether or not to accept the Gulf Tamin Offer:

(i) the letter to the ARIG Shareholders from the Board as set out in section IV of this Circular;

(ii) the recommendation letter to the ARIG Shareholders from the Board of Directors containing the Recommendation of the Board as set out in section V of this Circular;

(iii) the fairness opinion of the Professional Independent Adviser as set out in section VI of this Circular;

(iv) the terms and conditions mentioned in the enclosed Gulf Tamin Offer Document;

(v) the terms and conditions mentioned in the Acceptance and Transfer Form.

ARIG Shareholders are advised to seek independent professional advice, as deemed appropriate, prior to making any decisions.

2. THE GULF TAMIN OFFER

Information on the Gulf Tamin Offer is available in section 5 of the Gulf Tamin Offer Document. The information set out below is reproduced from the Offer Document:

The Board of Directors refers to the Firm Intention dated 29 October 2023 whereby the ARIG Board of Directors were notified of the Offeror's firm intention to make an Offer to the ARIG Shareholders to acquire their shares in ARIG.

2.1. Securities for which the voluntary conditional exit offer is made

The Offer is a partial offer to acquire a total of 22,001,000 existing ARIG Shares.

2.2. The Offeror

Gulf Tamin Ltd. was formed with the sole purpose of acquiring shares in ARIG and is an exempt company incorporated in the Cayman Islands. Its registration number is 403814 with a registered office on Floor 2, Willow House, Cricket Square, PO Box 709, Grand Cayman KY1-1107, Cayman Islands.

For more information on the ultimate offerors, please refer to Section 7 of the Offer Document.

2.3. Consideration of the Offer

The consideration for the Offer is a Cash Offer on the following basis:

For each 1 ARIG share: USD 0.53.

2.4. Shareholders Eligible for the Offer

ARIG Shareholders whose names appear in the ARIG share registry on the Record Date will be eligible to receive the Offer.

2.5. Suspension of Trading

Trading in ARIG Shares will be suspended for the duration of the Suspension Period.

2.6. Conditions Precedent to The Offer

The implementation of the Offer will be subject to the fulfilment or waiver, where applicable, of the following conditions precedent. For the avoidance of doubt, the Offer shall not become unconditional unless the below conditions precedent are fulfilled or, where applicable, waived by the Offeror:

a) The Offeror having received acceptances in respect of ARIG shares representing 22,001,000 shares representing approximately 10% of the Issued Share Capital;

b) Receipt of all regulatory and statutory approvals, exemptions and/or waivers from the CBB;

c) Receipt of all regulatory and statutory approvals, exemptions and/or waivers from any other regulatory or statutory authority as may be determined to be required in connection with the Offer; and

d) No Material Adverse Effect (as defined below) having occurred prior to, and being continued as at, the date on which the Offer would have been declared unconditional in all respects (but for the occurrence of a Material Adverse Effect).

Shareholders and/or potential investors of ARIG should note that the Offer shall be subject to the satisfaction or, with the exception of conditions (a) and (b) above, waiver by the Offeror (where applicable) of the conditions, and is conditional upon the Offer becoming or being declared unconditional in all respects.

Accordingly, the Offer may or may not become unconditional. Shareholders and/or potential investors of ARIG should therefore exercise caution when dealing in the securities of ARIG. Persons who are in doubt as to the action they should take should consult their licensed brokers, dealers, solicitors, professional accountants or other professional advisors.

Under TMA Rule 2.14.5, except with the consent of the CBB, all conditions must be fulfilled, or the Offer must lapse within fifteen (15) calendar days of the Initial Offer Closing Date or of the date the Offer becomes or is declared unconditional as to acceptances, whichever is later.

Under TMA Rule 2.14.3, setting out the 'final day rule', except with the consent of the CBB, the Offer may not become or be declared unconditional as to acceptances after the official working hours on the 60th day after 19 November 2023, being the date the Offer Document was posted, i.e. after 18 January 2024. The Offeror reserves the right to seek an extension from the CBB in accordance with TMA-2.14.3.

In the event valid acceptances that represent approximately 10% of the Issued Share Capital of ARIG are not received by the Initial Offer Closing Date (as defined in the Offer Document), the Offeror reserves the right to seek a waiver from the CBB in accordance with TMA-A.1.4 of condition (a) above and proceed to declaring the offer unconditional in all respects (subject to the satisfaction or, where applicable, waiver of the other conditions), in which case the Offeror may proceed to settlement of the Offer after the Final Offer Closing Date.

2.7. Offer Acceptance Procedures

ARIG Shareholders willing to accept the Offer may tender a part of or all of their ARIG Shares. ARIG Shareholders may potentially be holding ARIG Shares in one, or a combination, of the following forms:

a) shares in Demat form held in a brokerage account with a registered broker in BHB;

b) shares in Demat form held in BC; and/or

c) shares in physical form with an original share certificate only.

Please refer to section 6 (Procedures for Accepting the Offer) of the Offer Document for further details.

2.8. Proration of Acceptances

Please refer to section 5.9 (Proration of Acceptances) of the Offer Document for further details.

2.9. Acceptance Irrevocable

Upon an ARIG Shareholder submitting the completed Acceptance and Transfer Form to the Receiving Agent, the Acceptance becomes irrevocable and cannot be withdrawn by that ARIG Shareholder either in whole or in part. However, an ARIG Shareholder will be entitled to withdraw his acceptance within 14 days from the Initial Offer Closing Date if the Offer has not become unconditional as to Requisite Acceptances by that date.

In accordance with TMA-2.18.11 if the Offer has been declared unconditional as to the Requisite Acceptances, but Offeror fails to comply with any of the requirements of the section titled "Announcement of Result of Offer" of the TMA Module by close of trading at the licensed exchange in Bahrain on the relevant day, the CBB shall have the right to grant the ARIG Shareholders who have accepted the Offer with the right to withdraw their Acceptance.

2.10. Payment of cash consideration

The consideration of the Offer will be financed by the shareholders of Gulf Tamin Ltd. SICO B.S.C.(c), the financial advisor for the Offer, confirms that it has carried out the necessary assessment to confirm that sufficient resources are available to the Offeror to satisfy the full implementation and acceptance of the Offer

The Offeror has deposited USD 12,000,000 with the Paying Agent. On the Effective Date, and subject to the Offer being unconditional in all respects as depicted in section 5.7 (Conditions Precedent to the Offer) of the Offer Document, the Paying Agent shall effect payment to each Accepting Shareholder (subject to any Proration of Acceptances) by wire transfers only and in USD with the Offeror covering wire and correspondent bank charges. Any additional charges charged by an ARIG Shareholder's bank, including but not limited to any additional wire charges, additional correspondent bank charges, foreign exchange charges for non-USD bank accounts, shall be borne by such ARIG Shareholder. Any excess funds held in the escrow account with the Paying Agent will be returned by the Paying Agent to the Offeror following settlement of the Offer. Any unforeseen shortfall of funding in the escrow account required for the settlement of the Offer will be immediately wired by the Offeror to the Paying Agent to ensure timely settlement of the Offer on the Effective Date.

3. POST-ACQUISITION STRATEGY OF GULF TAMIN FOR ARIG AND EFFECT OF THE ACQUISITION

The post-acquisition strategy of Gulf Tamin for ARIG and the effect of the Acquisition are set out in sections 8 and 12 respectively of the Gulf Tamin Offer Document.

4. OFFEROR'S OPINION ON IMPACT ON OFFEREE'S EMPLOYEES

The successful completion of the Offer will not result in any immediate effect on the Offeree's employees and there is no current intention to implement changes in management or organizational structure except for any changes which may be implemented as contemplated in the Offer Document.

5. INFORMATION ABOUT THE OFFEREE

Relevant information about the Offeree is covered in Appendix A of this Circular.

6. INFORMATION ABOUT OFFERROR

Relevant information about Offeror has been set out in section 7 of the Gulf Tamin Offer Document.

7. RECOMMENDATIONS OF THE BOARD OF DIRECTORS AND THE ADVISER'S OPINION

Your attention is drawn to (i) the recommendation letter to the ARIG Shareholders from the Board set out in section V of this Circular which contains the recommendation of the Board of Directors where the Board finds the terms of the Offer are not fair and not reasonable. The Board therefore recommends that ARIG's Shareholders reject Gulf Tamin Ltd Offer to acquire ARIG Shares at the cash price of USD 0.53 per share; (ii) the letter to the ARIG Shareholders from the Board as set out in section IV of this Circular; and (iii) the fairness opinion of the Professional Independent Adviser set out in section VI of this Circular which contains the Professional Independent Adviser's Opinion to the Board in connection with the Offer and the principal factors considered by it in arriving at its opinion. ARIG Shareholders should read these letters in conjunction with this Circular and the Offer Document carefully before taking any action in respect of the Offer.

8. ARIG SHAREHOLDERS' RESPONSIBILITIES

8.1. Compliance with Applicable Laws

The availability of the Offer to the ARIG Shareholders might be affected by the laws of their respective jurisdiction in which they are based. Accordingly, any ARIG Shareholder should inform himself /herself about and observe any applicable legal requirements in their respective jurisdiction.

For the avoidance of doubt, the Offer is made to all ARIG Shareholders including those to whom the Offer Document, Acceptance and Transfer Form, the Circular and any other related documents have not been, or will not be, sent.

Where there are potential restrictions on sending the Offer Document, the Acceptance and Transfer Form, the Circular and any other related documents to any jurisdiction, the Offeree reserves the right not to send the documents to ARIG Shareholders in such jurisdictions. However, the Offeree may at its sole discretion take such action as it may deem necessary to send this Circular to ARIG Shareholders in any jurisdiction.

The Offer may be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction, and any ARIG Shareholder should inform himself /herself about and observe any applicable legal requirements in their respective jurisdiction.

It is the responsibility of any ARIG Shareholder who wishes to (i) request for the Offer Document, the

Acceptance and Transfer Form, the Circular and any other related documents, or (ii) accept the Gulf Tamin Offer, to satisfy himself /herself as to the full observance of the laws of the relevant jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, and compliance with all necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such ARIG Shareholders shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Gulf Tamin Board and any person acting on its behalf shall be fully indemnified and held harmless by such ARIG Shareholder for any such taxes, imposts, duties or other requisite payments as the Board and/or any person acting on its behalf may be required to pay. In (i) requesting for the Offer Document, the Acceptance and Transfer Form, the Circular and any other related documents and/or (ii) accepting the Gulf Tamin Offer, the ARIG Shareholder represents and warrants to the Board that he /she is in full observance of the laws of the relevant jurisdiction in that connection, and that he /she is in full compliance with all necessary formalities or legal requirements. Any ARIG Shareholder who is in any doubt about his /her position should consult his /her professional adviser in the relevant jurisdiction.

8.2. Copy of Offer Documents

Any shareholders who wish to obtain hard copies of the offering documents should reach out to below address:

Name	Address	Telephone Number(s)	Opening Days	Operating Hours
ARIG Headquarter	Arig House, Building no. 131, Road 1702, Diplomatic Area, Manama Kingdom of Bahrain	(973) 17544233	Sunday to Thursday (except during Public Holidays).	09:00 am - 05:00 pm

8.3. Notice

The Offeree and/or the Offeror has reserved the right to notify any matter, including the fact that the Offer has been made, to any or all ARIG Shareholders by announcement to the BHB and/or paid advertisement in two daily newspapers published and circulated in Kingdom of Bahrain, in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any ARIG Shareholder to receive or see such announcement or advertisement.

9. ACTION TO BE TAKEN BY ARIG SHAREHOLDERS

ARIG Shareholders who wish to accept the Gulf Tamin Offer must do so not later than the close of business on the Final Closing Date.

There are different procedures for Acceptance for ARIG Shareholders holding shares in physical or Demat (electronic) form. ARIG Shareholders who wish to accept the Offer, possessing shares in physical or Dematerialized form should take note of the "Procedures for Accepting the Offer" as set out in section 6 of the Offer Document and the "Important Instructions for Completion and Submission of this Acceptance and Transfer Form" section of the Acceptance and Transfer Form.

9.1. Form Submission

All ARIG Shareholders who are willing to accept the Offer will be required to forward the following documentation to the Receiving Agent:

9.1.1 Submission by Individuals

ARIG Shareholders who are individuals and who wish to accept the Offer must submit the following documents:

i original signed Acceptance and Transfer Form;

ii the original together with a copy, or only a Certified Copy, of the following two forms of identification

a) the individual's valid passport or valid international travel document; and

b) the individual's valid national identification card or an equivalent document;

iii proof of permanent residential address. The proof can consist of a copy of a recent utility bill, bank statement or similar statement from another bank or financial institution licensed in the country, which have been issued within three months prior to their presentation, or official documentation, such as a smartcard, from a public/governmental authority, or a tenancy agreement;

iv signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice);

v proof of IN is required in the form of a BB investor card or statement of account, or a BB system print screen or an allotment notice from a previous initial public offering in Bahrain of no earlier than 2006;

vi original share certificates for those ARIG Shareholders holding physical ARIG Shares. Holders of physical ARIG Shares that have been misplaced or damaged are required to obtain replacements of such shares directly from BC prior to submitting their Acceptance and Transfer Form. As an alternative to physical ARIG Shares, holders of lost or damaged physical ARIG Shares may also approach BC to have such replacement shares issued in electronic form at no additional cost;

vii a statement of account from BC or a BB registered broker in respect of ARIG Shares held in electronic form;

viii the following additional documents are required when a person is signing on behalf of an individual ARIG Shareholder by way of a power of attorney:

a) the original or Certified copy and a copy of the valid passport or international travel document of the person applying and signing on behalf of the individual ARIG Shareholder;

b) the original or Certified Copy and a copy of the valid national identification card or an equivalent document of the person applying and signing on behalf of the individual ARIG Shareholder; and

c) the original or Certified Copy and a copy of the notarized (or where from outside the Kingdom of Bahrain, apostilled/legalized) power of attorney;

ix the following additional documents are required for applications on behalf of Minors:

a) the original or Certified Copy and a copy of the valid passport or valid international travel document of the legal guardian applying and signing on behalf of the Minor;

b) the original or Certified Copy and a copy of a government-issued valid national identification card or an equivalent document of the legal guardian applying and signing on behalf of the Minor; and

c) unless the legal guardian signing on behalf of the Minor is the Minor's father, the original or Certified Copy and a copy of the proof of guardianship to the applying Minor.

9.1.2 **Submission By Institutions**

All institutions must provide the following documentation:

i the original signed Acceptance and Transfer Form;

ii A copy of a valid commercial registration certificate of the institution;

iii A copy of the memorandum and articles of association, or equivalent, of the institution;

iv the original together with a copy, or Certified Copy, of the following two forms of identification in respect of the individual signing on behalf of the institution:

a) the individual's valid passport or valid international travel document; and

b) the individual's valid national identification card or an equivalent document;

v signature verification of the signature on the application (with a passport copy showing the specimen of the person signing the application form to suffice);

vi proof of IN is required in the form of a BHB investor card or statement of account, or a BHB system print-screen, or an allotment notice from a previous initial public offering in Bahrain of no earlier than 2006;

vii original share certificates for those institutions holding ARIG Shares in physical form. Holders of physical ARIG Shares that have been misplaced or damaged are required to obtain replacements of such shares directly from BC prior to submitting their Acceptance and Transfer Form. As an alternative to physical ARIG Shares, holders of lost or damaged physical ARIG Shares may also approach BC to have such replacement shares issued in electronic form at no additional cost;

viii a statement of securities account from BC or a BHB registered broker in respect of their ARIG Shares held in electronic form;

ix the original and copy of the document authorizing the person(s), whose signature(s) appear(s) on the Acceptance and Transfer Form to sign such document on behalf of the institution. Such a document can be either a power of attorney or a resolution of the board of the institution; and

x if located in the United States, a completed and executed US Investor Letter.

9.1.3 Other provisions relating to Acceptance

xi All completed Acceptance and Transfer Forms, together with the required documentation, may be submitted physically at the desk of the Receiving Agent listed in section 6.2 (The Receiving Agent) of the Offer Document during the Offer Period.

xii The documents should be submitted no later than the close of business on the Initial Offer Closing Date. The Receiving Agent may accept couriered applications that have been pre-agreed and pre-arranged with the Receiving Agent with Certified Copies and on the basis of receipt of such Acceptances by the Receiving Agent prior to the Initial Offer Closing Date.

xiii At the time of submission of a completed Acceptance and Transfer Form, the Receiving Agent shall verify the validity of all copies of each participating ARIG Shareholder's identification documents along with the submitted Acceptance and Transfer Form.

xiv ARIG Shareholders residing outside of Bahrain may submit applications electronically via email to agent@sicobank.com. Following the electronic submission of a completed Acceptance and Transfer Form, the Receiving Agent shall verify the validity of the submission and a notification shall be sent to the ARIG Shareholder confirming receipt of the submission. Any ARIG Shareholder who has electronically submitted a completed Acceptance and Transfer Form but has not received such notification should contact the Receiving Agent to receive such confirmation as their submission may otherwise be deemed void. All ARIG Shareholders who make physical submissions will receive a copy of their Acceptance and Transfer Form at the time of application.

xv ARIG Shareholders intending to accept the Offer that are mortgaged will have to provide original written clearance from the mortgagee in a form acceptable to the Offeror or the Receiving Agent. The clearance must acknowledge that such ARIG Shares shall be transferred to Offeror pursuant to the Offer free from any and all charges, liens and other encumbrances.

xvi The following important directions should be followed when completing the Acceptance and Transfer Form:

a) only the prescribed Acceptance and Transfer Form made available at the Receiving agent should be used, and completed in full in accordance with the instructions contained therein;

b) in the case of joint owners of ARIG Shares only one Acceptance and Transfer Form may be used and signed by all such joint owners; and

c) in the case of any ARIG Shares held by investment managers, the Acceptance and Transfer Form should be signed by the investment manager and sent along with a copy of the document reflecting the investment manager's position as the investment manager for the ARIG Shareholder. The Acceptance and Transfer Form must state the beneficial owners of ARIG Shares and be provided together with their specific signed mandate.

xvii The Receiving Agent reserves the right to reject any Acceptance and Transfer Form if:

a) the Acceptance and Transfer Form is not completed in all respects or is completed with incorrect information;

b) if it receives an Acceptance and Transfer Form from an ARIG Shareholder located in the United States;

c) any of the information stated in this section 6.1 (Form Submission) is not included in or with the Acceptance and Transfer Form; or

d) the Acceptance and Transfer Form along with all of the above documents is received by the Receiving Agent after the close of business on the Initial Offer Closing Date.

xviii The Receiving Agent reserves the right to accept, at its sole discretion, duly completed Acceptance and Transfer Forms where the information set out in the section 6.1 (Form Submission) of the Offer Document, has not been provided in its entirety but sufficient information and documentation has been provided or otherwise procured to comply with all applicable laws and regulations associated with know your client and anti-money laundering requirements and other laws and regulations applicable to the Offeror and the Offer have been complied with.

xix ARIG Shareholders holding ARIG Shares in physical form must first submit the original share certificates at BC and obtain an IN.

xx The ARIG Shareholder who accepts the Offer shall:

a) consent to the passing on of any information about the ARIG Shareholder to any relevant regulatory authorities by the Receiving Agent, the registrar, the Offeror or the Offeree (as the case may be) or their delegates and any onward transmission by those regulatory authorities of such information;

b) acknowledge that due to money laundering requirements operating within Bahrain, the Receiving Agent, the Offeror or the Offeree (as the case may be) may require identification of the ARIG Shareholder(s) and source of funds before the Acceptance and Transfer Forms indicating acceptance can be processed;

c) hold the Receiving Agent, the Offeror or the Offeree (as the case may be) harmless and indemnified and shall keep them held harmless and indemnified against any loss arising from the failure to process the Acceptance and Transfer Form, if information as has been required from the ARIG Shareholder has not been provided within the allotted time to the satisfaction of the party requesting such information.

9.1.4 The Receiving Agent

The Receiving Agent set out below will receive the completed Acceptance and Transfer Forms together with the information stated in section 6.1 (Form Submission) of the Offer Document (as applicable):

Receiving Agent's address, contact details and opening times

Name	Address	Telephone Number(s)	Opening Days	Operating Hours
SICO B.S.C.(c) – Receiving desk at the BHB	4th Floor, Harbour Gate, Bahrain Financial Harbour, Manama, Kingdom of Bahrain	(973) 17 515022	Sunday to Thursday	09:00 am - 01:00 pm

The Receiving Agent may announce a change in its receiving desk location and/or make an electronic platform for submissions available at its sole discretion.

9.1.5 General information

ARIG Shareholders should note that only Acceptances that are not rejected will count towards the Requisite Acceptances.

Once all the Conditions Precedent have been fulfilled or waived, where applicable, and the Offer becomes unconditional in all respects, during or at the end of the Final Offer Closing Date, the Offeror will arrange to make an announcement to this effect in two newspapers in the Kingdom of Bahrain and the websites of BHB and SICO.

Transfer of the ARIG Shares resulting from the Offer are expected to occur off-the-market through BC.

Any queries regarding the application procedure should be directed to the Receiving Agent.

9.1.6 Purchase of ARIG Shares outside the Offer

The Offeror reserves the right to purchase ARIG Shares outside the Offer in accordance with the TMA Module and applicable laws

9.1.7 Tax

The tax consequences for ARIG Shareholders pursuant to the Offer depend upon the shareholders' individual circumstances. ARIG Shareholders should therefore consult their own tax advisors as to the particular tax consequences on them of accepting the Offer.

10. SUSPENSION OF TRADING

Trading in ARIG Shares will be suspended for the duration of the Suspension Period.

arig
المجموعة العربية للتأمين (ش.م.ب)
ARAB INSURANCE GROUP (B.S.C.)

RECOMMENDATION LETTER TO ARIG SHAREHOLDERS FROM THE BOARD OF DIRECTORS

Arab Insurance Group B.S.C.
(Incorporated in the Kingdom of Bahrain with Commercial Registration No.: 10701)

Registered Office:
P. O. Box 26992,
Arig House
Diplomatic Area
Manama, Kingdom of Bahrain

10th December 2023

To, The Shareholders of Arab Insurance Group B.S.C.

Dear Sirs,

PARTIAL OFFER BY GULF TAMIN LTD TO THE SHAREHOLDERS OF ARAB INSURANCE GROUP B.S.C. ("ARIG")

INTRODUCTION

The Board of Directors of Arig received a cash offer to acquire 22,001,000 of the issued and fully paid-up ordinary shares of Arig representing approximately 10% of the issued and fully paid-up ordinary shares for a purchase price of USD 0.53 for each 1 share of Arig.

This Recommendation Letter forms part of the Circular dated 10th December 2023 issued by Arig. Capitalized terms used herein shall have the same meanings as those defined in the Circular unless the context requires otherwise.

We have appointed BDO Consulting W.L.L. as the Professional Independent Adviser to provide us with their opinion on the fairness and reasonableness of the financial terms of the Offer. We have taken into consideration the fairness and reasonableness opinion issued by the Professional Independent Adviser as provided in section VI of the Circular in making our recommendations herein.

RECOMMENDATION

The Board wishes to highlight the fact that the book value of Arig shares as per the financial statements as of 30 September 2023 is USD 1.45 per share and that the Professional Independent Adviser has evaluated the fair value of Arig shares to be US$ 1.37 per share.

The offer price as per the offer document is USD 0.53 per share, which is 61.2% lower than the independently computed fair value and 63.4% lower than that book value of Arig shares. Accordingly, and in line with the opinion of the Independent Professional Adviser, the Board finds the terms of the Offer are not fair and not reasonable. The Board therefore recommends that Arig's Shareholders reject Gulf Tamin Ltd Offer to acquire Arig Shares at the cash price of USD 0.53 per share.

Arig Shareholders are advised to read sections IV and VI of the Circular, the Offer Document and the terms of the Offer as set out therein carefully and in their entirety before accepting or rejecting Gulf Tamin Ltd's Offer.

In case of any doubt, Arig Shareholders are also advised to seek independent professional advice, as deemed appropriate, prior to making any decision.

Yours faithfully,

Mr. Saeed Al Bahhar
Chairman of the Board

Mr. Ahmed Al Karbi
Vice-Chairman of the Board

Mr. Mohamed Al Suwaidi
Board Member

Mr. Wael Abukhzam
Board Member

Mr. Mohammed Al Karbi
Board Member

Mr. Abdulla Al Ghefli
Board Member

VI. FAIRNESS OPINION OF THE PROFESSIONAL INDEPENDENT ADVISER

BDO

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17th Floor
Diplomat Commercial Office
Tower
PO Box 787
Manama
Kingdom of Bahrain

The Board of Directors
Arab Insurance Group B.S.C.
Arig House, Building 131
Road 1702, Diplomatic Area 317
P. O. Box 26992
Manama, Kingdom of Bahrain

3 December 2023

Re: Fairness Opinion Letter

Dear Sirs,

Pursuant to the requirements of the Takeover, Mergers & Acquisition Module under Volume 6 of the Central Bank of Bahrain's ("CBB") Rulebook ("TMA Module"), Arab Insurance Group B.S.C. ("ARIG" or the "Offeree") has engaged BDO Consulting W.L.L. ("BDO" or "we" or "us") as an independent professional advisor for the purpose of evaluating Gulf Tamin Ltd.'s ("Gulf Tamin" or the "Offeror") offer (as described below) and advising ARIG's board (the "Board") as to whether or not the offer is fair and reasonable.

The Offer

We understand that Gulf Tamin has made a partial offer to acquire 22,001,000 of the issued and fully paid-up ordinary shares of ARIG by way of a cash offer representing approximately 10% of the issued and fully paid-up ordinary shares of ARIG with a purchase price of USD 0.53 for each 1 share of ARIG (the "Offer" or the "Proposed Transaction").

The consideration for the Offer is a cash offer of USD 0.53 for each 1 share of ARIG provided that the Offer becomes unconditional after the fulfilment, or waiver by Gulf Tamin, of the Conditions Precedent (as defined in the Offer Document).

We further understand that the Offer is to purchase shares and will have no impact on ARIG's commercial registration, legal status, or trade name. Also, upon completion of the Offer, the Offeror intends to join and work with the Board to identify/suggest additional Board members with insurance and governance experience who could nominate themselves for possible election by ARIG shareholders.

Please note that we have outlined some pronouncements of the Offer in this letter, however the Offer is fully described in the Offer Document. Accordingly, the description of the Offer contained herein is subject to reference in the Offer Document. The terms that are not defined herein bear the meanings specified in the Offer Document.

Scope of Analyses

In developing our fairness opinion (the "Opinion"), our procedures included, but were not limited to, the following:

1. Reviewed Firm Intention to make the Offer;
2. Reviewed the Offer Document;
3. Participated in discussions with ARIG's management team (the "Management") regarding ARIG's financial condition, business and operations, and the Offer.

4. Reviewed audited financial statements of ARIG for the fiscal years ending 31 December 2020 through 31 December 2022 and for the nine months period ending 30 September 2023 as well as other financial schedules where relevant.
5. Reviewed price history of ARIG shares listed on the Bahrain Bourse.
6. Performed certain valuation and comparative analyses using generally accepted valuation and analytical techniques.
7. Took into account general economic, market, and financial conditions.
8. Conducted such other analyses and considered such factors as we deemed appropriate.

Assumptions and Limiting Conditions

This Opinion is subject to certain overall assumptions and limiting conditions, many of which may have a significant influence on the conclusion, including without limitation, the following:

1. In developing our Opinion, we have relied on information provided by ARIG and have performed no independent verification of the information provided.
2. We have relied on information, data, and representations obtained from public sources or provided by private sources and have performed no independent verification of the information provided.
3. We have assumed the accuracy and completeness of all information provided and assume projections and forecasts (if any) have been prepared in good faith by the Management, upon reasonable estimates that represent ARIG's best judgment as to future performance.
4. We have assumed that there have been no material changes in the financial condition, business, or prospects of ARIG since the date of the most recent financial statements and other information provided to us.
5. Our Opinion is necessarily based on economic, market, and other conditions as in effect on, and the information made available to us as of, the date hereof. Accordingly, it is important to understand that although subsequent developments may affect our Opinion, we do not have any obligation to further update, revise, or reaffirm our Opinion.
6. We express no opinion on matters of a legal, regulatory, tax, or accounting nature of the Proposed Transaction or the ability of the Proposed Transaction, as set forth in the Offer Document, to be consummated.
7. We have assumed the Proposed Transaction will be completed in accordance with the Offer Document and without any amendments thereto or any waivers of any terms or conditions thereof.
8. We have relied upon the fact that ARIG has been advised by its counsel as to all legal matters with respect to the Proposed Transaction, including whether all procedures required by law to be taken in connection with the Proposed Transaction have been duly, validly, and timely taken.
9. No opinion is expressed as to whether any alternative transaction might be more favorable to holders of ARIG shares than the Proposed Transaction.

Disclosures

We represent to the Client as follows:

- With respect to the Proposed Transaction, we have not acted as a financial adviser to any party involved.
- Our compensation is not contingent upon any action or event resulting from use of the Opinion, including the successful completion of the Proposed Transaction.
- We have had no material relationships in past years or that are mutually understood to be contemplated in which any compensation was received or is intended to be received as a result of the relationship between BDO and any party to the Proposed Transaction that is the subject of this Opinion.

Use of Opinion Letter

We are providing our Opinion to the Board who may use this document only in its entirety in the communication with the shareholders of ARIG concerning the Offer.

Methodology and Valuation

To establish fair market value per ARIG ordinary share, we have deployed adjusted Net Assets Value ("NAV") method under the Cost Approach and Comparable Companies Trading Multiples ("CCM") method under the Market Approach and of valuation.

With the application of NAV and CCM methods, the weighted average fair market value per ARIG ordinary share is arrived at USD 1.37 as of 30 September 2023 (the "Valuation Date"). As per the Offer Document, Gulf Tamin will pay a cash of USD 0.53 for each 1 share of ARIG which is equal to the last traded price on 25 October 2023, which is approximately 61.2% lower than the concluded weighted average fair market value per ARIG ordinary share as of the Valuation Date.

Conclusion

Subject to the foregoing, it is our opinion as of the date hereof that the Offer is **Not** Fair and **Not** Reasonable, from a financial point of view to the shareholders of ARIG. Based on our Opinion, it is our advice to the Board that they do not recommend Acceptance of the Offer to the shareholders of ARIG concerning the Offer.

This fairness opinion letter should read in conjunction with the ARIG valuation report submitted to the Management on 3 December 2023.

Yours faithfully,

Bipin Shete
Regional Partner, Advisory

APPENDIX A –

INFORMATION ABOUT THE OFFEREE AND OTHER STATUTORY INFORMATION

1. BUSINESS OVERVIEW

1.1. Arab Insurance Group B.S.C.

Arab Insurance Group B.S.C. (the “Company”) is an international insurance company registered as a Bahraini Shareholding Company having its registered office at Arig House, Manama, Kingdom of Bahrain. The 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 13 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. Market Price and Historical Trading Summary

i. ARIG shares are traded on the BHB. Below are the market closing prices of ARIG shares on the following key dates:

On 6 December 2023, the Last Practicable Date	ARIG shares closing market price on BHB on 6 December 2023 was USD 0.77 per share. The Offer price of USD 0.53 per share is 31.2% lower.
0n 16 November 2023, the last Business Day prior to the date of Offer Document of 19 November 2023	ARIG shares closing market price on BHB on 16 November 2023 was USD 0.58 per share. The Offer price of USD 0.53 per share is 8.6% lower.
0n 26 October 2023, the last Business Day prior to the date of firm intention announcement of 29 October 2023	ARIG shares closing market price on BHB on 26 October 2023 was USD 0.53 per share. The Offer price of USD 0.53 per share is the same.

ii. Over the period commencing six months prior to the posting and dispatch of the Circular and ending on the Last Practicable Date, the lowest closing price of USD 0.506 per ARIG share on BHB was on 11 June 2023. The Offer price of USD 0.53 per share is 4.7% higher.

iii. Over the period commencing six months prior to the dispatch of the Circular and ending on the Last Practicable Date, the highest closing price of USD 0.77 per ARIG share on BHB was on 6 December 2023. The Offer price of USD 0.53 per share is 31.2% lower.

iv. Over the six months prior to and up to the Last Practicable Date, the volume weighted price per ARIG share on days where the share traded was USD 0.62 (data for the volume weighted price calculations were sourced from Thomson Reuters). The Offer price of USD 0.53 per share is 14.5% lower.

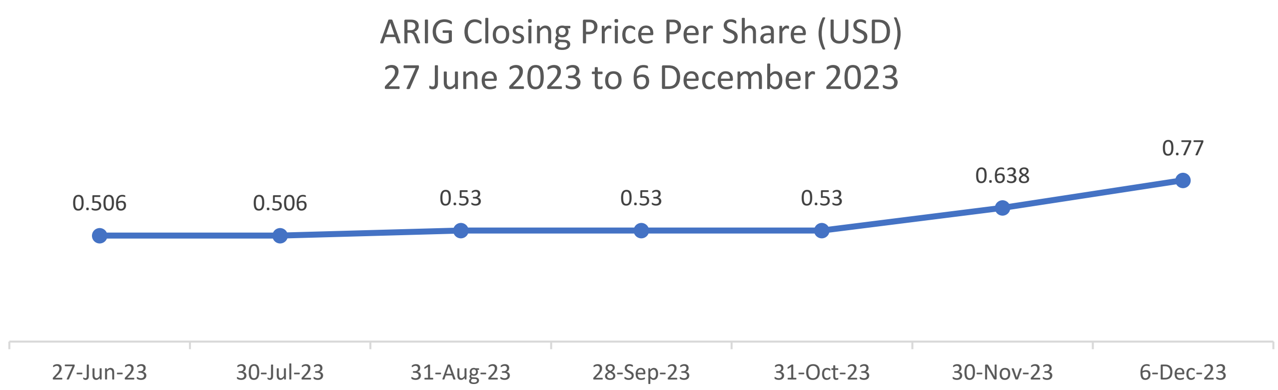
v. The following table details the closing price for the ARIG Shares at the end of each of the calendar months (where price quotes were available through BHB’s website) during the period commencing six months prior to the commencement of the Offer Period and ending on the Last Practicable Date:

	Closing price per share on BHB (USD)	**Comparison to the Offer Price of USD 0.53 per share**
Last Practicable Date	0.77	The Offer price is 31.2% lower
30 November 2023	0.638	The Offer price is 16.9% lower
31 October 2023	0.53	The Offer price is same
28 September 2023	0.53	The Offer price is same
31 August 2023	0.53	The Offer price is same
30 July 2023	0.506	The Offer price is 4.7% higher
27 June 2023	0.506	The Offer price is 4.7% higher

vi. ARIG average closing market price on all trading days on the BHB during the three months between 6 September 2023 and 6 December 2023 (inclusive) was USD 0.55. The Offer price of USD 0.53 per share is

3.8% lower.

vii. The market price movement of ARIG Shares for the period from 27 June 2023 to Last Practicable Date is shown in the charts below:



2. MAJOR SHAREHOLDERS

Currently, the following shareholders own 5% or more shares in ARIG:

Shareholder Name	Nationality	No. Outstanding of Shares (in millions)	% of total outstanding shares
Central Bank of Libya	Libya	31.8	16.0
Emirates Investment Authority	UAE	30.5	15.4
General Pension & Social Security Authority	UAE	27.5	13.9
Ahmed Omar Al Karbi	UAE	21.7	10.9
Kuwait Investment Authority	Kuwait	20.0	10.1
Emirates Development Bank	UAE	11.0	5.6

3. GROUP STRUCTURE

The following table depicts the subsidiaries and associated companies of ARIG:

Legal Entity Name	Shareholding %	Country of Incorporation
Takaful Re Ltd.*	54.0	UAE
Gulf Warranties W.L.L. Bahrain**	100.0	Bahrain
ARIG Capital Limited***	100.0	UK
ARIMA Insurance Software W.L.L.	49.0	Bahrain

** Takaful Re Limited stopped writing business and is in run-off since April 2016*
*** During 2019, Gulf Warranties W.L.L. has been placed under voluntary liquidation.*
**** During 2020, Arig Capital Limited (UK) was placed under run-off.*

4. DIRECTORS OF THE OFFEREE

The Directors of ARIG are:

Name of Director	Title
Mr. Saeed Mohammed Al Bahhar	Chairman
Mr. Ahmed Omar Al Karbi	Vice Chairman
Mr. Mohamed Saif Al Suwaidi	Board Member
Mr. Wael Ibrahem Abu Khzam	Board Member

Mr. Mohamed Ahmed Al Karbi	Board Member
Mr. Abdulla Saeed Al Ghfeli	Board Member

A brief description of each Director is set out below.

Mr. Saeed Mohammed Al Bahhar

Mr. Saeed Mohammed Al Bahhar is the Chairman of the Board and member of the Nomination and Remuneration Committee of ARIG. He has been a member of the Board of Directors, since 25 March 2014 and Chairman of the Board since 12 June 2017. He also holds the position of Chairman in Takaful Re Limited. Mr. Al Bahhar holds bachelor's degree in economics from Jacksonville University, U.S.A.

Mr. Ahmed Omar Al Karbi

Mr. Ahmed Omar Al Karbi is a director and the Vice Chairman of the Board of ARIG. Mr. Al Karbi has been a member of the Board of Directors since 26th September 2022. He is currently a Board member in Al Dhabi Investment, UAE, Umm Al Quwain Investment Company, UAE, and the Chairman of Dubai Building Cooperative Society, UAE. He holds a bachelor's degree in accounting and business administration from UAE University.

Mr. Mohamed Saif Al Suwaidi

Mr. Mohamed Saif AlSuwaidi (Representing Emirates Investment Authority, U.A.E.) is a Director and member of the Nomination and Remuneration Committee of ARIG. Mohamed Saif AlSuwaidi has been a member of the Board of Directors since 25 March 2014. Previously, he served as Executive Director of Asset Management at Emirates Investment Authority. He also served as Executive Director of the Fixed Income Department at Abu Dhabi Investment Authority "ADIA". He holds a bachelor's degree in accounting from U.A.E. University.

Mr. Wael Ibrahem Abu Khzam

Mr. Wael Ibrahem Abu Khzam (Representing The Central Bank of Libya) is a Director and member of the Audit & Risk Committee and Nomination & Remuneration Committee of ARIG. Mr. Wael has been a member of the Board of Directors since 20 March 2017. He is currently employed as a Director of the Risk Management Department at the Central Bank of Libya. He holds B.Sc. in Accounting from Tripoli University and Master in Banking Finance from Libyan Academy.

Mr. Mohamed Ahmed Al Karbi

Mr. Mohamed Ahmed Al Karbi is a Director and the Chairman of the Audit & Risk Committee and the Nomination & Remuneration Committee of ARIG. He has been a member of the Board of Directors since 26th September 2022 (previous member from 2014 to 2017). He is currently holding the position of Major Project Section Head in Abu Dhabi Sustainable Water Solution Company, UAE, Board member in Sharjah Cement & Industrial Development Co. since 2017, Board Member in Al Mushrif CO.OP, Abu Dhabi since 2014, ex-Board member in RAK White Cement and building materials since 2021, , and ex-Board member of Takaful Re Limited. He holds bachelor's degree in civil engineering science from American University of Sharjah, master's degree of Business Administration from UAE University, Abu Dhabi and certified Project Management (PMP).

Mr. Abdulla Saeed Al Ghfeli

Mr. Abdulla Saeed Al Ghfeli (representing the General Pension & Social Security Authority (GPSSA) - UAE) is a Director and a member of the Audit & Rik Committee of ARIG. Mr. Abdulla has been a member of the Board of Directors since 26th September 2022. He is currently the Investment Manager within the Investment Department of the General Pensions & Social Security Authority (GPSSA), UAE, Board member in Al-Ramz Corporation, Abu Dhabi Ship Building (ASDB) and Emirates Buildings. He holds Master of Science in International Business and Finance from London Metropolitan University, UK and qualified Chartered Financial Analyst (CFA Designation).

5. SHARE CAPITAL

5.1 Capital structure

The share capital of ARIG consists of 500 million authorized shares of USD 1.00 each. The issued, subscribed and fully paid-up capital of ARIG consists of 220 million shares as of 30 September 2023 of USD 1.00 each.

5.2 Paid-up share capital

At the Last Practicable Date, ARIG has one class of shares, comprising ordinary shares and the issued share capital of ARIG is USD 220 million comprising 220 million shares of USD 1.00 each. The ARIG Shares are quoted and listed on the BHB and all the shares carry equal rights as to dividend, vote at shareholders' meetings.

5.3 Number of shares issued since the end of the last financial year

As of 31 December 2022, ARIG maintained issued, subscribed and fully paid-up ordinary shares of 220 million. No further ordinary shares have been issued in 2023 until the date of this document.

5.4 Outstanding instruments convertible into, rights to subscribe for an option in respect of, securities being offered for or which carry voting rights affecting the ARIG Shares

As at the Last Practicable Date, there are no outstanding options, warrants or conversion rights affecting the ARIG Shares.

5.5 Treasury Shares

ARIG holds 21,885,118 shares as treasury shares representing 9.9% of the total issued, subscribed and paid-up ordinary shares of ARIG Shares and the said treasury shares will not be available for acquisition.

6. DISCLOSURE OF INTERESTS

6.1 Shareholdings

6.1.1 Interests of ARIG in the shares of Gulf Tamin

ARIG has no interest in the Gulf Tamin Shares as at the Last Practicable Date and has not undertaken any dealings in the Gulf Tamin Shares in the last six months prior to the Last Practicable Date.

6.1.2 Dealing in shares of Gulf Tamin by ARIG

ARIG has not dealt in the shares of Gulf Tamin during the six months prior to the Offer Period.

6.1.3 Interests of Directors in Shares

The following directors of ARIG have direct or deemed interest in the ARIG shares as at the Last Practicable Date:

Name of Director	No. Outstanding of Shares	% of total outstanding shares
Central Bank of Libya, represented by Mr. Wael Ibrahem Abu Khzam	31,814,677	16.06%
Emirates Investment Authority of UAE, represented by Mr. Mohamed Saif Al Suwaidi	30,466,862	15.38%
General Pension and Social Security Authority of UAE, represented by Mr. Abdulla Saeed Al Ghfeli	27,500,000	13.88%
Mr. Ahmed Omar Al Karbi	21,682,146	10.94%
Mr. Mohamed Ahmed Al Karbi	1,600,861	0.81%

6.1.4 **Interests of the Board of Directors in the Shares of Gulf Tamin**

No members of the Board of Directors have any direct or deemed interest in shares or convertible securities of Gulf Tamin.

6.1.5 **Dealings in Shares of Gulf Tamin by the Board of Directors**

No members of the Board of Directors have dealt in the shares of Gulf Tamin during the six months prior to the Offer Period.

6.1.6 **Interests of the Adviser**

BDO neither:

a) owns or controls any shares in ARIG; nor

b) manages any shares of ARIG through investments in funds on a discretionary basis.

6.1.7 **Dealings by the Adviser**

BDO has not dealt in shares of ARIG or Gulf Tamin in the six months prior to the Offer Period.

6.2 ARIG Directors' Intentions

As per 6.2.3. above, following Directors of ARIG hold directly or indirectly ARIG shares:

Name of Director	No. Outstanding of Shares	% of total outstanding shares
Central Bank of Libya, represented by Mr. Wael Ibrahem Abu Khzam	31,814,677	16.06%
Emirates Investment Authority of UAE, represented by Mr. Mohamed Saif Al Suwaidi	30,466,862	15.38%
General Pension and Social Security Authority of UAE, represented by Mr. Abdulla Saeed Al Ghfeli	27,500,000	13.88%
Mr. Ahmed Omar Al Karbi	21,682,146	10.94%
Mr. Mohamed Ahmed Al Karbi	1,600,861	0.81%

The above Directors of ARIG intend to **NOT ACCEPT** the Gulf Tamin Offer and maintain their shareholding in ARIG.

6.3 Financial Disclosures

6.3.1 The complete set of consolidated audited financial statements for the year ended 31 December 2020, 31 December 2021, 31 December 2022 and reviewed interim condensed consolidated financial statements for the period ended 30 September 2023 are provided in Appendix C of this Circular.

6.3.2 **Statement of Material Changes**

There have been no material changes in the financial position of ARIG subsequent to the last published audited financial statements as of 31 December 2022.

In addition to the above, there have been no material transactions (not in the ordinary course of business) to be reported subsequent to the last published audited financial statements as of 31 December 2022.

6.3.3 **Significant Accounting Policies**

All the significant accounting policies as contained in the financial statements for the financial year ending 31 December 2022 have been mentioned in Appendix C of this Circular, under the heading "Notes to the Consolidated Financial Statements".

6.3.4 **Auditor's Qualification**

The auditors have not made any qualifications in the Auditors Report in respect to the financials of ARIG in the past three years.

6.3.5 **Change in Accounting Policy**

There has been no material change in the Accounting Policy during the past three financial years except as mentioned in Appendix B of this Circular, under the heading "Significant Accounting Policies".

6.4 **Other Disclosures**

Directors' Service Agreements

ARIG executed a formal directorship agreement on 13 December 2023 with each of the directors appointed by the shareholders at the Annual General Meeting held on 26 September 2022.

There are no Director's Service Contracts (either current or prior contracts which have been replaced or amended) between the Directors and ARIG:

a) which have been entered into or amended within 6 months before the Last Practicable Date;

b) no continuous service contracts in force which have a notice period of 12 months or more.

c) no fixed term contract with more than 12 months irrespective of the notice period.

7. MANAGEMENT

A brief description of the management of ARIG is furnished below:

Mr. Samuel Verghese

Mr. Samuel is acting CEO and Deputy General Manager, Finance and Administration. Samuel Verghese joined Arig in March 1997 in the finance department and assumed the role of Director, Finance in January 2008. He joined General Management Team in January 2017. He currently holds Board memberships at Arima Insurance Software (Bahrain), Arig Capital Limited (UK) and Senior Executive Officer and Director of Takaful Re Limited (DIFC). Prior to joining the Company, he held various managerial positions in companies in India. He holds a Bachelor of Commerce degree from Osmania University, India and is an Associate member of The Institute of Chartered Accountants of India.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at https://www.arig.net for the period for which the Offer remains open for acceptance:

a) Consolidated audited financial statements of ARIG for the financial years 2020, 2021, 2022 and the reviewed consolidated financial statements for the period ended 30 September 2023;

b) Firm Intention to make the Offer dated 29 October 2023;

c) The Offer Document dated 19 November 2023;

d) This Circular;

e) Professional Independent Adviser's Opinion along with the redacted version of the valuation report;

f) Written consent of the Professional Independent Adviser to share the Professional Independent Adviser's Opinion;

g) Cover Letter to ARIG Shareholders;

h) Sample of the Acceptance and Transfer Form;

The Board Circular, summary of the Board Circular, Firm Intention to make the Offer, Offer Document, cover letter and fairness opinion are also available at https://www.bahrainbourse.com.

Alternatively, any ARIG shareholder who wishes to receive electronic copies of any of the above documents and Memorandum and Articles of Association of ARIG may email Mr. Abdulredha Abdulhameed, Legal and Compliance Officer at rajab.a@arig.com.bh.

Hard copies of all the above documents may also be available at ARIG Headquarter to ARIG shareholders for inspection upon written request to Mr. Abdulredha Abdulhameed at rajab.a@arig.com.bh.

APPENDIX B –

CONSOLIDATED AUDITED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2020, 2021, 2022 AND THE REVIEWED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 September 2023

Condensed consolidated interim financial statements for the nine months ended 30 September 2023

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

(In thousands of U.S. Dollars)

	Note	30 September 2023 (reviewed)	31 December 2022 (reviewed) (restated)	1 January 2022 (reviewed) (restated)	30 September 2022 (reviewed) (restated)
ASSETS					
Cash and bank balances	5	**213,665**	215,141	59,055	197,206
Investments	6	**161,706**	174,948	424,705	195,047
Accrued interest	7	**6,491**	3,079	1,744	1,390
Reinsurance contract assets	8	**4,757**	4,417	6,058	5,752
Non-insurance deposits		**89**	111	380	124
Other assets	9	**8,794**	8,680	21,312	8,882
Investment property	10	**6,147**	4,754	4,622	4,511
Property and equipment	11	**8,459**	10,269	11,725	11,529
TOTAL ASSETS		**410,108**	421,399	529,601	424,441
LIABILITIES AND EQUITY					
LIABILITIES					
Insurance contract liabilities	12	**100,497**	112,622	191,437	124,525
Other liabilities	15	**8,735**	9,370	46,714	13,988
TOTAL LIABILITIES		**109,232**	121,992	238,151	138,513
EQUITY					
Attributable to shareholders of parent company					
Share capital		**220,000**	220,000	220,000	220,000
Treasury stock		**(14,793)**	(14,793)	(14,793)	(14,793)
Fair value reserve		**881**	156	14,791	585
Other reserves		**39,654**	41,504	40,407	38,569
Retained earnings		**42,351**	39,764	18,230	29,070
		288,093	286,631	278,635	273,431
Non-controlling interests		**12,783**	12,776	12,815	12,497
TOTAL EQUITY		**300,876**	299,407	291,450	285,928
TOTAL LIABILITIES AND EQUITY		**410,108**	421,399	529,601	424,441

These condensed consolidated interim financial statements were approved by the Board of Directors on 13 November 2023 and signed on its behalf by:

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In thousands of U.S. Dollars)

	Note	For the three months ended 30 September 2023 (reviewed)	For the three months ended 30 September 2022 (reviewed) (restated)	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Insurance revenue	16	**265**	(623)	**1,253**	2,653	4,775
Insurance service expenses	17	**1,486**	6,176	**1,973**	13,369	18,212
Net expense from reinsurance contracts held	18	**(620)**	(1,118)	**(1,377)**	(1,926)	(3,398)
Insurance service result		**1,131**	4,435	**1,849**	14,096	19,589
Investment income	20	**3,622**	327	**10,949**	(1,702)	1,577
Insurance finance expenses	21	**(380)**	772	**(2,417)**	5,934	6,274
Reinsurance finance income	22	**29**	(82)	**183**	(465)	(466)
Financial insurance result		**3,271**	1,017	**8,715**	3,767	7,385
Other expenses and provisions	23	**(306)**	(1,695)	**(1,421)**	(3,314)	(3,782)
Other income	24	**(245)**	140	**745**	1,096	6,273
Profit for the period		**3,851**	3,897	**9,888**	15,645	29,465
Attributable to:						
Non-controlling interests		**33**	107	**(21)**	18	282
Shareholders of parent company		**3,818**	3,790	**9,909**	15,627	29,183
		3,851	3,897	**9,888**	15,645	29,465
Earnings per share attributable to shareholders (basic and diluted):	25 (US cents)	**1.9**	1.9	**5.0**	7.9	14.7

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim financial statements

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In thousands of U.S. Dollars)

	For the three months ended 30 September 2023 (reviewed)	For the three months ended 30 September 2022 (reviewed) (restated)	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Profit for the period	**3,851**	3,897	**9,888**	15,645	29,465
Other comprehensive income					
Items that will be reclassified to profit or loss:					
Fair value changes on investment at fair value through other comprehensive income	**427**	(2,794)	**1,912**	(17,717)	(16,114)
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	**(56)**	(747)	**(425)**	(1,114)	(1,776)
Transfers for impairment loss on investment at fair value through other comprehensive income	**-**	197	**-**	2,617	2,779
Items that will not be reclassified subsequently to profit & loss:					
Revaluation of property	**-**	-	**-**	-	(1,444)
Other comprehensive income for the period	**371**	(3,344)	**1,487**	(16,214)	(16,555)
Total comprehensive income for the period	**4,222**	553	**11,375**	(569)	12,910
Attributable to:					
Non-controlling interests	**27**	26	**7**	(318)	(39)
Shareholders of parent company	**4,195**	527	**11,368**	(251)	12,949
	4,222	553	**11,375**	(569)	12,910

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In thousands of U.S. Dollars)

30 September 2023 (reviewed)	Share Capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2022	220,000	(14,793)	43,250	(4,263)	2,673	41,660	39,764	286,631	12,776	299,407
Adjustment on initial application of IFRS 9 (note 3)	-	-	-	(2,478)	-	(2,478)	2,478	-	-	-
Restated balances at 1 January 2023	220,000	(14,793)	43,250	(6,741)	2,673	39,182	42,242	286,631	12,776	299,407
Net profit (loss) for the period	-	-	-	-	-	-	9,909	9,909	(21)	9,888
Fair value changes on investment at fair value through other comprehensive income	-	-	-	1,884	-	1,884	-	1,884	28	1,912
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(425)	-	(425)	-	(425)	-	(425)
Total comprehensive income for the period	-	-	-	1,459	-	1,459	9,909	11,368	7	11,375
Dividends declared	-	-	-	-	-	-	(9,906)	(9,906)	-	(9,906)
Transfer of net depreciation on revalued property	-	-	-	-	(106)	(106)	106	-	-	-
Balances at 30 September 2023	220,000	(14,793)	43,250	(5,282)	2,567	40,535	42,351	288,093	12,783	300,876

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

(In thousands of U.S. Dollars)

31 December 2022 (reveiwed) (restated)	Share Capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2021, as previously reported	220,000	(14,793)	40,332	10,527	4,339	55,198	5,738	266,143	12,815	278,958
Adjustment on initial application of IFRS 17 (note 3)	-	-	-	-	-	-	12,492	12,492	-	12,492
Restated balances at 31 December 2021	220,000	(14,793)	40,332	10,527	4,339	55,198	18,230	278,635	12,815	291,450
Net profit for the year	-	-	-	-	-	-	29,183	29,183	282	29,465
Fair value changes on investment at fair value through other comprehensive income	-	-	-	(15,839)	-	(15,839)	-	(15,839)	(275)	(16,114)
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(1,724)	-	(1,724)	-	(1,724)	(52)	(1,776)
Transfers for impairment loss on investment at fair value through other comprehensive income	-	-	-	2,773	-	2,773	-	2,773	6	2,779
Revaluation of property	-	-	-	-	(1,444)	(1,444)	-	(1,444)	-	(1,444)
Total comprehensive income for the year	-	-	-	(14,790)	(1,444)	(16,234)	29,183	12,949	(39)	12,910
Dividends declared	-	-	-	-	-	-	(4,953)	(4,953)	-	(4,953)
Transfer of net depreciation on revalued property	-	-	-	-	(222)	(222)	222	-	-	-
Transfer to (from) non-distributable reserves	-	-	2,918	-	-	2,918	(2,918)	-	-	-
Balances at 31 December 2022	220,000	(14,793)	43,250	(4,263)	2,673	41,660	39,764	286,631	12,776	299,407

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

(In thousands of U.S. Dollars)

30 September 2022 (reviewed) (restated)	Share Capital	Treasury Stock	Reserves				Retained earings	Attributable to shareholders of parent company	Non-controlling interests	Total equity (reviewed)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2021, as previously reported	220,000	(14,793)	40,332	10,527	4,339	55,198	5,738	266,143	12,815	278,958
Adjustment on initial application of IFRS 17 (note 3)	-	-	-	-	-	-	12,492	12,492	-	12,492
Restated balances at 31 December 2021	220,000	(14,793)	40,332	10,527	4,339	55,198	18,230	278,635	12,815	291,450
Net profit for the period	-	-	-	-	-	-	15,627	15,627	18	15,645
Fair value changes on investment at fair value through other comprehensive income	-	-	-	(17,427)	-	(17,427)	-	(17,427)	(290)	(17,717)
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(1,062)	-	(1,062)	-	(1,062)	(52)	(1,114)
Transfers for impairment loss on investment at fair value through other comprehensive income	-	-	-	2,611	-	2,611	-	2,611	6	2,617
Total comprehensive income for the period	-	-	-	(15,878)	-	(15,878)	15,627	(251)	(318)	(569)
Dividends declared	-	-	-	-	-	-	(4,953)	(4,953)	-	(4,953)
Transfer of net depreciation on revalued property	-	-	-	-	(166)	(166)	166	-	-	-
Balances at 30 September 2022	220,000	(14,793)	40,332	(5,351)	4,173	39,154	29,070	273,431	12,497	285,928

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim financial statements.

ARAB INSURANCE GROUP (B.S.C.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023

(In thousands of U.S. Dollars)

	Note	**For the financial year-to-date 30 September 2023 (reviewed)**	For the financial year-to-date 30 September 2022 (reviewed)	For the year ended 31 December 2022 (reviewed)
CASH FLOWS FROM OPERATING ACTIVITIES				
Premiums received		**213**	16,827	17,633
Reinsurance premiums paid		**(818)**	(63,484)	(64,699)
Claims and acquisition costs paid		**(8,449)**	(46,908)	(49,662)
Reinsurance receipts in respect of claims		**2,539**	27,444	27,552
Investment income		**1,503**	2,175	5,396
Interest received		**431**	1,543	1,702
Operating expenses paid		**(8,370)**	(8,718)	(9,729)
Other income (expenses), net		**298**	(2,666)	(2,980)
Insurance deposits received (paid), net		**758**	2,980	2,542
Purchase of investments at fair value through profit or loss		**(107)**	-	-
Sale of investments at fair value through profit or loss		**1,403**	4,000	48,255
Net cash used in operating activities	26	**(10,599)**	(66,807)	(23,990)
CASH FLOWS FROM INVESTING ACTIVITIES				
Maturity/sale of investments		**31,513**	225,557	209,728
Purchase of investments		**(20,012)**	(31,093)	(38,880)
Term deposits with bank		**(5,933)**	(25,505)	(134,306)
Interest received		**6,631**	4,923	6,277
Investment income		**896**	3,682	1,053
Collateralised cash deposits		**-**	6,850	6,850
Purchase of property and equipment		**-**	(33)	(33)
Purchase of intangible assets		**-**	(17)	(17)
Net cash provided by investing activities		**13,095**	184,364	50,672
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid		**(9,906)**	(4,953)	(4,953)
Dividend received from associate		**-**	49	49
Net cash used in financing activities		**(9,906)**	(4,904)	(4,904)
Net (decrease) increase in cash and cash equivalents		**(7,410)**	112,653	21,778
Effect of exchange rate on cash and cash equivalents		**1**	(7)	2
Cash and cash equivalents, beginning of period		**62,244**	40,464	40,464
Cash and cash equivalents, end of period		**54,835**	153,110	62,244
Term deposits with bank		**158,830**	44,096	152,897
Cash and bank balances, end of period		**213,665**	197,206	215,141

The accompanying notes 1 to 30 are an integral part of these condensed consolidated interim 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 13 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 expect 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 condensed consolidated interim financial statements. Therefore, these condensed consolidated interim financial statements have been prepared on going concern basis.

2. SIGNIFICANT ACCOUNTING POLICIES

This condensed consolidated interim financial information has been prepared in accordance with IAS 34, "Interim Financial Reporting", and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2022 ("last annual consolidated financial statements"). They do not include all the information required for a complete set of financial statements prepared in accordance with International financial reporting standards ("IFRS"). However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2022. This condensed consolidated interim financial information was authorized for issue by the Group's Board of Directors on 13 November 2023.

Except for the changes as set out in note 3, the condensed consolidated interim financial information for the nine months ended 30 September 2023 has been prepared using the same accounting policies and methods of computation used by the Group in its consolidated financial statements as at and for the year ended 31 December 2022.

The condensed consolidated interim financial information is reviewed, not audited.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

I. Change in significant accounting policies

The Group has initially applied IFRS 17 and IFRS 9, including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts and presented a third statement of financial position as at 1 January 2022.

The nature and effects of the key changes in the Group's accounting policies resulting from its adoption of IFRS 17 and IFRS 9 are summarised below.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

A. IFRS 17 Insurance Contracts

i. Recognition, measurement and presentation of insurance contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Group's estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin ("CSM").

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Group no longer applies shadow accounting to insurance-related assets and liabilities. Insurance finance income and expenses are presented separately from insurance revenue and insurance service expenses.

The Group applies the premium allocation approach ("PAA") to simplify the measurement of contracts in the non-life segment, except for groups of acquired contracts that do not qualify for the PAA. When measuring liabilities for remaining coverage, the PAA is similar to the Group's previous accounting treatment. However, when measuring liabilities for incurred claims, the Group now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in profit or loss and other comprehensive income ("OCI"). Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

ii. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Group:

- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before 1 January 2022;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts and insurance receivables and payables. Under IFRS 17, they are included in the measurement of the insurance contracts; and recognised any resulting net difference in equity.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

The Group has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and earning per share (“EPS”). The effects of adopting IFRS 17 on the condensed consolidated interim financial information at 1 January 2022 are presented in the condensed consolidated statement of changes in equity.

Insurance and reinsurance contracts
For the life risk, the Group applied the fair value transition approach (“FVA”) in IFRS 17 to identify, recognise and measure certain groups of contracts at 1 January 2022, because it was impracticable to apply the full retrospective approach.

The Group considered the full retrospective approach impracticable for contracts in these segments under any of the following circumstances:

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:
  - expectations about a contract’s profitability and risks of becoming onerous required for identifying groups of contracts;
  - information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
  - information required to allocate fixed and variable overheads to groups of contracts, because the Group’s previous accounting policies did not require such information; and
  - information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

- The full retrospective approach required assumptions about what Group management’s intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:
  - assumptions about discount rates, because the Group had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis; and
  - assumptions about the risk adjustment for non-financial risk, because the Group had not been subject to any accounting or regulatory framework that required an explicit margin for nonfinancial risk.

Assets for insurance acquisition cash flows
For the life risk segment, the Group also applied the modified retrospective approach to identify, recognise and measure certain assets for insurance acquisition cash flows at 1 January 2022.

It was impracticable to apply the full retrospective approach because:

- data had not been collected with sufficient granularity;
- information required to identify fixed and variable overheads as relating to acquisition activities and to allocate them to groups of contracts was not available; or
- original assumptions about the manner in which the Group would have expected insurance acquisition cash flows to be recovered, which were required to allocate them to renewals, could not be made without the use of hindsight.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

B. IFRS 9 Financial Instruments

i Classification of financial assets and financial liabilities

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value though other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 has not had a significant effect on the Group's accounting policies for financial liabilities.

ii Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, debt investments at FVOCI and lease receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

iii Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively.

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and the opening balance of fair value reserve of the current period.

Details of the changes and implications resulting from the adoption of IFRS 9 are presented in (iv).

ARAB INSURANCE GROUP (B.S.C.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (CONTD.)

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

iv Effect of initial application

Classification of financial assets and financial liabilities

The following table explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities.

	US$ '000					
1 January 2023	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Remeasurement	Reclassification	New carrying amount under IFRS 9
Financial assets						
Cash and cash balances	Loans & Receivables	Amortised cost	**31,244**	**-**	**-**	**31,244**
Deposits wih banks	Loans & Receivables	Amortised cost	**183,897**	**-**	**-**	**183,897**
Other receivables	Loans & Receivables	Amortised cost	**-**	**-**	**-**	**-**
Financial investments						
Debt securities	Held to maturity	Amortised cost	**-**	**-**	**-**	**-**
Debt securities	FVTPL	FVTPL	**-**	**-**	**-**	**-**
Debt securities	Availabe for sale	FVOCI	**116,055**	**(149)**	**-**	**115,906**
Debt securities	Availabe for sale	FVTPL	**18,020**	**-**	**-**	**18,020**
Equity securities	Available-for-sale	FVOCI	**1,000**	**-**	**-**	**1,000**
Managed funds	Available-for-sale	FVTPL	**12,482**	**-**	**-**	**12,482**
Accrued income	Loans & Receivables	Amortised cost	**3,446**	**-**	**-**	**3,446**
Insurance receivables	Loans & Receivables	Amortised cost	**7,077**	**-**	**-**	**7,077**
Insurance deposits	Loans & Receivables	Amortised cost	**19,159**	**-**	**-**	**19,159**
Other assets	Loans & Receivables	Amortised cost	**8,001**	**-**	**-**	**8,001**
Total financial assets			**400,381**	**(149)**	**-**	**400,232**
Financial liabilities						
Insurance payables	Amortised cost	Amortised cost	**23,878**	**-**	**-**	**23,878**
Other liabilities	Amortised cost	Amortised cost	**6,942**	**-**	**-**	**6,942**
Total financial liabilities			**30,820**	**-**	**-**	**30,820**

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

	US$ '000
Retained earnings	
Closing balance (31 December 2021)	5,738
Impact of initial application of IFRS 17	12,492
Opening balance under IFRS 17 (1 January 2022)	**18,230**
Total change in equity due to the application of new standards	
Retained earnings	12,492
Total change in equity due to the application	**12,492**

	US$ '000
Reserves	
Closing balance under IAS 39 (31 December 2022)	41,660
Reclassification of debt instruments from AFS to FVTPL	1,413
Reclassification of equity type instruments from AFS to FVTPL	(3,891)
Opening balance under IFRS 9 (1 January 2023)	**39,182**
Retained earnings	
Closing balance (31 December 2022)	**39,764**
Reclassification of debt instruments from AFS to FVTPL	(1,413)
Reclassification of equity type instruments from AFS to FVTPL	3,891
Opening balance under IFRS 9 (1 January 2023)	**42,242**

II. Changes to the significant estimates and judgements

The following are the information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the condensed consolidated interim financial information of the Group.

A. IFRS 17 Insurance Contracts

i) *Classification of insurance, reinsurance and investment contracts*

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. When identifying contracts in the scope of IFRS 17, in some cases the Group will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the Company does not expect significant changes arising from the application of these requirements.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

ii) Level of aggregation of insurance and reinsurance contracts

Under IFRS 17, insurance contracts and investment contracts with Discretionary Participation Feature ("DPF") are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together.

Contracts in different product lines or issued by different group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e., by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

iii) Fulfilment cash flows

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. The cash flows from each scenario are discounted and weighted by the estimated probability of that outcome to derive an expected present value. If there are significant interdependencies between cash flows that vary based on changes in market variables and other cash flows, then the Group uses stochastic modelling techniques to estimate the expected present value. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

Contract boundaries
The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract.

Life risk
Assumptions about mortality/longevity, morbidity and policyholder behaviour that are used in estimating future cash flows are developed by product type at local entity level, reflecting recent experience and the profiles of policyholders within a group of insurance contracts.

Mortality/longevity and morbidity assumptions are generally developed using a blend of national mortality data, industry trends and the local entity's recent experience. Experience is monitored through regular studies, the results of which are reflected both in the pricing of new products and in the measurement of existing contracts.

Non-life contracts
The Group estimates the ultimate cost of settling claims incurred but unpaid at the reporting date and the value of salvage and other expected recoveries by reviewing individual claims reported and making allowance for claims incurred but not yet reported ("IBNR"). The ultimate cost of settling claims is estimated using a range of loss reserving techniques - e.g. the chain-ladder and Bornhuetter-Ferguson methods. These techniques assume that the Group's own claims experience is indicative of future claims development patterns and therefore ultimate claims cost. The ultimate cost of settling claims is estimated separately for each geographic area and line of business, except for large claims, which are assessed separately from other claims.

The assumptions used, including loss ratios and future claims inflation, are implicitly derived from the historical claims development data on which the projections are based, although judgement is applied to assess the extent to which past trends might not apply in the future and future trends are expected to emerge.

Discount rates
All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts.

Risk adjustments for non-financial risk
Risk adjustments for non-financial risk are determined to reflect the compensation that the individual issuing entity would require for bearing non-financial risk, separately for the non-life and other contracts, and are allocated to groups of contracts based on an analysis of the risk profiles of the groups.

ARAB INSURANCE GROUP (B.S.C.)

3. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTD.)

iv) Contractual service margin

The CSM of a group of contracts is recognised in the consolidated profit or loss to reflect services provided in each year, by identifying the coverage units in the group, allocating the CSM remaining at the end of the year (before any allocation) equally to each coverage unit provided in the year and expected to be provided in future years, and recognising in the consolidated profit or loss the amount of the CSM allocated to coverage units provided in the year. The number of coverage units is the quantity of services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided and its expected coverage period. The coverage units will be reviewed and updated at each reporting date.

B. IFRS 9 Financial Instruments

i) Financial asset and liability classification

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

ii) Impairment of financial assets

Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of expected credit loss (ECL) and selection and approval of models used to measure expected credit loss (ECL).

4. MANAGEMENT OF 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.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s consolidated financial statements as at 31 December 2022.

There have been no changes in the risk management function since the year end or in any risk management policies.

5. CASH AND BANK BALANCES

	US$ ’000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed)	30 September 2022 (reviewed)
Cash and bank balances	**54,835**	31,244	148,110
Deposits with maturity of 3 months or less	**-**	31,000	5,000
Deposits with maturity over 3 months	**158,830**	152,897	44,096
	213,665	215,141	197,206

6. A. INVESTMENTS

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed) (restated)	30 September 2022 (reviewed) (restated)
At fair value through profit or loss			
Debt securities			
- Investment grade	**17,954**	-	795
Common stock of unlisted companies	**2,066**	-	-
Other equity type investment	**9,831**	-	-
	29,851	-	795
At Amortized cost			
Debt securities			
- Investment grade	**-**	-	5,679
- Other	**-**	-	7,458
	-	-	13,137
At Fair value through others Comprehensive Income			
Debt securities			
- Supra-nationals and OECD country governments	**39,602**	27,005	26,845
- Investment grade	**57,151**	96,709	106,063
- Other	**33,702**	37,361	33,252
Common stock of unlisted companies	**1,000**	2,794	2,741
Other equity type investment	**-**	10,688	11,796
	131,455	174,557	180,697
Investment in associate	**518**	540	540
	161,824	175,097	195,169
Expected credit losses	**(118)**	(149)	(122)
	161,706	174,948	195,047

6. B. COMMITMENTS OUTSTANDING

The Group has commitments in respect of uncalled capital in at fair value through profit or loss investments amounting to US$ 8.5 million (31 December 2022: US$ 8.3 million; 30 September 2022: US$ 8.2 million).

7. ACCRUED INTEREST

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed) (restated)	30 September 2022 (reviewed) (restated)
Accrued interest	**6,491**	3,079	1,390
	6,491	3,079	1,390

8. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS

	US$ '000				
	30 September 2023 (reviewed)				
	LfRC*		LfIC for contracts measured under PAA		Total
	Excl. LC	LC*	PVCF*	RA*	
Opening reinsurance contract assets	(2,308)	-	8,228	26	5,946
Opening reinsurance contract liabilities	(1,424)	-	(114)	9	(1,529)
	(3,732)	-	8,114	35	4,417
Net income or expense from reinsurance contracts held					
- Allocation of reinsurer premium	(875)	-	-	-	(875)
- Changes that relate to past services-adjustments to LIC*	-	-	(124)	(5)	(129)
- Expenses directly attributable to reinsurance	-	-	(373)	-	(373)
Reinsurance finance income through profit and loss	-	-	182	-	182
Net foreign exchange income or expense	1	-	-	-	1
Total changes in statement of profit or loss and OCI*	(874)	-	(315)	(5)	(1,194)
Premiums paid to reinsurer net of commission	1,454	-	-	-	1,454
Directly attributable expenses paid	-	-	465	-	465
Recoveries from reinsurance	-	-	(385)	-	(385)
Total cash flows	1,454	-	80	-	1,534
Closing reinsurance contract assets	(861)	-	7,557	21	6,717
Closing reinsurance contract liabilities	(2,291)	-	322	9	(1,960)
	(3,152)	-	7,879	30	4,757

*LIC - Liability for incurred claims
*LFRC - Liability for remaining coverage
* PVCF - Present value of cash flow
* RA - Risk adjustment
* LC - Loss components
* OCI - Other comprehensive income

8. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS (CONTD.)

	US$ '000				
	31 December 2022 (reviewed)				
	LfRC		LfIC for contracts measured under PAA		Total
	Excl. LC	LC	PVCF	RA	
Opening reinsurance contract assets	(3,844)	-	10,292	170	6,618
Opening reinsurance contract liabilities	(12)	-	(565)	17	(560)
	(3,856)	-	9,727	187	6,058
Net income or expense from reinsurance contracts held					
- Allocation of reinsurer premium	(1,581)	-	-	-	(1,581)
- Changes that relate to past services-adjustment to LIC	-	-	(1,182)	(152)	(1,334)
- Expenses directly attributable to reinsurance	-	-	(483)	-	(483)
Reinsurance finance income through profit and loss	-	-	(468)	-	(468)
Net foreign exchange income or expense	2	-	-	-	2
Total changes in statement of profit or loss and OCI	(1,579)	-	(2,133)	(152)	(3,864)
Premiums paid to reinsurer net of commission	1,703	-	-	-	1,703
Directly attributable expenses paid	-	-	624	-	624
Recoveries from reinsurance	-	-	(104)	-	(104)
Total cash flows	1,703	-	520	-	2,223
Closing reinsurance contract assets	(2,308)	-	8,228	26	5,946
Closing reinsurance contract liabilities	(1,424)	-	(114)	9	(1,529)
	(3,732)	-	8,114	35	4,417

8. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS (CONTD.)

	US$ '000				
	30 September 2022 (reviewed)				
	LfRC		LfIC for contracts measured under PAA		Total
	Excl. LC	LC	PVCF	RA	
Opening reinsurance contract assets	(3,844)	-	10,292	170	6,618
Opening reinsurance contract liabilities	(12)	-	(565)	17	(560)
	(3,856)	-	9,727	187	6,058
Net income or expense from reinsurance contracts held					
- Allocation of insurance premium	(586)	-	-	-	(586)
- Changes that relate to past services-adjustments to LIC	-	-	(955)	(34)	(989)
- Expenses directly attributable to reinsurance	-	-	(351)	-	(351)
Reinsurance finance income through profit and loss	-	-	(465)	-	(465)
Net foreign exchange income or expense	1	-	-	-	1
Total changes in statement of profit or loss and OCI	(585)	-	(1,771)	(34)	(2,390)
Premiums paid to reinsurer net of commission	694	-	-	-	694
Directly attributable expenses paid	-	-	516	-	516
Recoveries from reinsurance	-	-	874	-	874
Total cash flows	694	-	1,390	-	2,084
Closing reinsurance contract assets	(934)	-	8,670	126	7,862
Closing reinsurance contract liabilities	(2,813)	-	676	27	(2,110)
	(3,747)	-	9,346	153	5,752

9. OTHER ASSETS

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed) (restated)	30 September 2022 (reviewed) (restated)
Intangible assets			
- Computer software	**9,994**	9,994	9,994
	9,994	9,994	9,994
Less: Accumulated amortization	**(9,667)**	(9,661)	(9,658)
	327	333	336
Other assets			
- Collateralised cash deposits	**7,761**	7,761	7,761
- Other receivables	**139**	94	189
- Prepayments	**567**	492	596
	8,467	8,347	8,546
	8,794	8,680	8,882

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

10. INVESTMENT PROPERTY

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed)	30 September 2022 (reviewed)
Carrying value at 1 January	**4,754**	4,622	4,622
Transferred from property and equipment	**1,550**	-	-
Reversal of Impairment	**-**	280	-
Depreciation	**(157)**	(148)	(111)
Carrying value at period-end	**6,147**	4,754	4,511

The Group's subsidiary Takaful Re Ltd, Dubai (TRL) has reclassified a portion 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.

Investment property is carried at cost less accumulated depreciation and impairment. The carrying value of investment property approximates its fair value as at 30 September 2023 and fair value measurement has been categorised as Level 3.

On 1 November 2023 TRL sold the investment property for US$ 6.82 million which resulted in a gain of US$ 0.69 million.

11. PROPERTY AND EQUIPMENT

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed)	30 September 2022 (reviewed)
Land	**1,972**	1,972	2,080
Building	**6,642**	8,192	9,833
Furniture & fixtures	**6,920**	6,921	6,921
Hardware	**2,290**	2,290	2,290
Office equipment	**460**	460	460
Others	**397**	397	397
	18,681	20,232	21,981
Less: Accumulated depreciation and Impairment			
Building	**(206)**	-	(507)
Furniture & fixtures	**(6,908)**	(6,907)	(6,907)
Hardware	**(2,281)**	(2,273)	(2,270)
Office equipment	**(453)**	(449)	(448)
Others	**(374)**	(334)	(320)
	(10,222)	(9,963)	(10,452)
	8,459	10,269	11,529

Land and Building comprise 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. The sub-let portion of TRL office peremises with a net value of US$ 1.55 million has been transferred to investment property as detailed in note 10.

On 1 November 2023 TRL sold the office building for US$ 3.79 million which resulted in a gain of US$ 0.38 million.

12. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR INSURANCE CONTRACTS

	US$ '000					
	30 September 2023 (reviewed)					
	LfRC		LfIC for contracts measured under GMM*	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-
Opening insurance contract liabilities	7,881	-	(1,067)	(111,443)	(1,018)	(105,647)
	7,881	-	(1,067)	(111,443)	(1,018)	(105,647)
Insurance revenue	1,253	-	-	-	-	1,253
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(4,953)	-	(4,953)
- Changes that relate to past services - adjustment to LfIC	-	-	(128)	8,074	192	8,138
- Amortisation of insurance acquisition cash flows	(797)	-	-	-	-	(797)
Insurance finance expenses through profit and loss	(36)	-	25	(2,402)	-	(2,413)
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	(4)	-	-	-	-	(4)
Total changes in statement of profit or loss and OCI	416	-	(103)	719	192	1,224
Premiums received	(8,124)	-	-	-	-	(8,124)
Claims paid	-	-	80	7,094	-	7,174
Directly attributable expenses paid	-	-	-	5,451	-	5,451
Acquisition cost paid	891	-	-	-	-	891
Total cash flows	(7,233)	-	80	12,545	-	5,392
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	1,064	-	(1,090)	(98,179)	(826)	(99,031)
Insurance contract liabilities of parent	1,064	-	(1,090)	(98,179)	(826)	(99,031)
Technical reserve of subsidiaries	-	-	-	-	-	(1,096)
Account payables of subsidiaries	-	-	-	-	-	(370)
Total insurance contract liabilities	-	-	-	-	-	(100,497)

*GMM - General Measurement Model

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12. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR INSURANCE CONTRACTS (CONTD.)

	US$ '000					
	31 December 2022 (reviewed)					
	LfRC		LfIC for contracts measured under GMM	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-
Opening insurance contract liabilities	7,154	-	(1,394)	(153,204)	(2,751)	(150,195)
	7,154	-	(1,394)	(153,204)	(2,751)	(150,195)
Insurance revenue	2,890	-	-	-	-	2,890
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(6,411)	-	(6,411)
- Changes that relate to past services - adjustments to LfIC	-	-	261	21,857	1,733	23,851
- Amortisation of insurance acquisition cash flows	378	-	-	-	-	378
Insurance finance expenses through profit and loss	504	-	56	5,727	-	6,287
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	(12)	-	-	-	-	(12)
Total changes in statement of profit or loss and OCI	3,760	-	317	21,173	1,733	26,983
Premiums received	(4,233)	-	-	-	-	(4,233)
Claims paid	-	-	10	12,302	-	12,312
Directly attributable expenses paid	-	-	-	8,286	-	8,286
Acquisition cost paid	1,200	-	-	-	-	1,200
Total cash flows	(3,033)	-	10	20,588	-	17,565
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	7,881	-	(1,067)	(111,443)	(1,018)	(105,647)
Insurance contract liabilities of parent	7,881	-	(1,067)	(111,443)	(1,018)	(105,647)
Technical reserve of subsidiaries	-	-	-	-	-	(1,444)
Account payables of subsidiaries	-	-	-	-	-	(5,531)
Total insurance contract liabilities	-	-	-	-	-	(112,622)

12. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR INSURANCE CONTRACTS (CONTD.)

	US$ '000					
	30 September 2022 (reviewed)					
	LfRC		LfIC for contracts measured under GMM	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening insurance contract assets	-	-	-	-	-	-
Opening insurance contract liabilities	7,154	-	(1,394)	(153,204)	(2,751)	(150,195)
	7,154	-	(1,394)	(153,204)	(2,751)	(150,195)
Insurance revenue	2,098	-	-	-	-	2,098
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(4,661)	-	(4,661)
- Changes that relate to past services - adjustments to LfIC	-	-	284	15,391	716	16,391
- Amortisation of insurance acquisition cash flows	75	-	-	-	-	75
Insurance finance expenses through profit and loss	452	-	47	5,444	-	5,943
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	(8)	-	-	-	-	(8)
Total changes in statement of profit or loss and OCI	2,617	-	331	16,174	716	19,838
Premiums received	(4,254)	-	-	-	-	(4,254)
Claims paid	-	-	9	9,000	-	9,009
Directly attributable expenses paid	-	-	-	6,861	-	6,861
Acquisition cost paid	992	-	-	-	-	992
Total cash flows	(3,262)	-	9	15,861	-	12,608
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	6,509	-	(1,054)	(121,169)	(2,035)	(117,749)
Insurance contract liabilities of parent	6,509	-	(1,054)	(121,169)	(2,035)	(117,749)
Technical reserve of subsidiaries	-	-	-	-	-	(1,459)
Account payables of subsidiaries	-	-	-	-	-	(5,317)
Total insurance contract liabilities	-	-	-	-	-	(124,525)

13. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES

	US$ '000			
	30 September 2023 (reviewed)			
	BEL*	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(4,917)	(730)	(446)	(6,093)
	(4,917)	(730)	(446)	(6,093)
Changes related to current services				
- CSM recognized in profit and loss	-	-	59	59
- Risk Adjustment recognized in profit and loss	-	67	-	67
- Experience adjustments	470	-	-	470
Changes that relate to past service - adjustments to LfIC	(127)	-	-	(127)
Insurance finance expenses through profit and loss	(8)	-	(3)	(11)
Total changes in statement of profit or loss and OCI	335	67	56	458
Premiums received	(45)	-	-	(45)
Claims paid	80	-	-	80
Acquisition cost paid	(32)	-	-	(32)
Total cash flows	3	-	-	3
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(4,579)	(663)	(390)	(5,632)
	(4,579)	(663)	(390)	(5,632)

*BEL - Best estimate of liabilities

13. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES (CONTD.)

	US$ '000			
	31 December 2022 (reviewed)			
	BEL	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(6,504)	(1,019)	(257)	(7,780)
	(6,504)	(1,019)	(257)	(7,780)
Changes related to current services				
- CSM recognized in profit and loss	-	-	82	82
- Risk Adjustment recognized in profit and loss	-	204	-	204
- Experience adjustments	634	-	-	634
Changes related to future services				
- Contracts initially recognized in the period	-	-	-	-
- Changes in estimates that adjust CSM	213	55	(268)	-
Changes that relate to past service - adjustments to LfIC	231	30	-	261
Insurance finance expenses through profit and loss	563	-	(3)	560
Total changes in statement of profit or loss and OCI	1,641	289	(189)	1,741
Premiums received	(61)	-	-	(61)
Claims paid	10	-	-	10
Acquisition cost paid	(3)	-	-	(3)
Total cash flows	(54)	-	-	(54)
Closing insurance contract assets	-	-	-	-
Closing insurance contract assets	(4,917)	(730)	(446)	(6,093)
	(4,917)	(730)	(446)	(6,093)

13. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES (CONTD.)

	US$ '000			
	30 September 2022 (reviewed)			
	BEL	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(6,504)	(1,019)	(257)	(7,780)
	(6,504)	(1,019)	(257)	(7,780)
Changes related to current services				
- CSM recognized in profit and loss	-	-	32	32
- Risk Adjustment recognized in profit and loss	-	169	-	169
- Experience adjustments	478	-	-	478
Changes that relate to past service - adjustments to LfIC	254	30	-	284
Insurance finance expenses through profit and loss	501	-	(2)	499
Total changes in statement of profit or loss and OCI	1,233	199	30	1,462
Premiums received	(50)	-	-	(50)
Claims paid	9	-	-	9
Acquisition cost paid	(3)	-	-	(3)
Total cash flows	(44)	-	-	(44)
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(5,315)	(820)	(227)	(6,362)
	(5,315)	(820)	(227)	(6,362)

14. MOVEMENT OF CONTRACTUAL SERVICE MARGIN FOR TRANSITIONAL APPROACHES

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed)	30 September 2022 (reviewed)
Contractual service Margin	**Fair Value Approach (FVA)**		
Opening balance	**446**	257	257
Change related to current services			
- CSM recognized in profit and loss	**(59)**	(82)	(32)
Changes related to future services			
- Changes in estimates that adjust CSM	**-**	268	-
- Change in estimates that result in onerous contract or reversal of losses	**3**	-	2
Insurance finance expenses through profit and loss	**-**	3	-
Net foreign exchange income or expense	**-**	-	-
Closing balance	**390**	446	227
Insurance Revenue	**595**	920	679

15. OTHER LIABILITIES

	US$ '000		
	30 September 2023 (reviewed)	31 December 2022 (reviewed) (restated)	30 September 2022 (reviewed) (restated)
Provision for probable loss estimates in a Subsidiary	**5,113**	5,113	7,613
Non-reinsurance payables	**-**	-	2,610
Accrued expenses	**2,637**	2,703	3,174
Dividends payable	**234**	234	234
Other	**751**	1,320	357
	8,735	9,370	13,988

16. INSURANCE REVENUE

	US$ '000		
	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Amounts relating to change in LfRC			
- Expected benefits incurred	**399**	442	588
- Expected expenses incurred	**70**	69	90
- Change in the risk adjustment	**67**	169	204
- CSM recognized	**59**	32	82
Experience adjustments	**-**	(33)	(44)
Contracts not measured under PAA	**595**	679	920
Contracts measured under PAA	**658**	1,419	1,970
Insurance revenue of parent	**1,253**	2,098	2,890
Insurance revenue of subsidiaries	**-**	555	1,885
Total insurance revenue	**1,253**	2,653	4,775

17. INSURANCE SERVICE EXPENSES

	US$ '000		
	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Incurred benefits	**-**	-	-
Incurred directly attributable expenses	**4,953**	4,661	6,411
Changes that relates to past services - adjustment to LfIC	**(8,138)**	(16,391)	(23,851)
Insurance acquisition costs	**797**	(75)	(378)
Insurance service expense of parent	**(2,388)**	(11,805)	(17,818)
Insurance service expense of subsidiaries	**415**	(1,564)	(394)
Total insurance service expense	**(1,973)**	(13,369)	(18,212)

18. NET EXPENSE OR INCOME FROM REINSURANCE CONTRACTS HELD

	US$ '000		
	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Expected expenses for contracts not measured under PAA			
- Expected recovery of claims and other expenses	**-**	-	-
- Change in the risk adjustment	**-**	-	-
- CSM recognized	**-**	-	-
- Experience adjustments	**-**	-	-
Expected expenses for contracts measured under PAA	**875**	586	1,581
Allocation of reinsurer premium	**875**	586	1,581
Amounts recovered for claims and other expenses	**-**	-	-
Incurred directly attributable expenses	**373**	351	483
Changes that relate to past service - recoverable claims and other expenses	**129**	989	1,334
Changes in fulfilment cash flows that do not adjust underlying CSM	**-**	-	-
Effect of changes in the risk of reinsurers non-performance	**-**	-	-
Amounts recoverable from reinsurer and incurred Expenses	**502**	1,340	1,817
Net expense from reinsurance contracts held	**1,377**	1,926	3,398

19. 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. Segment assets and liabilities are reviwed by management only on aggregate basis.

- ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

30 September 2023 (reviewed)	**US$ '000**								
	Period ended 30 September 2023								
	Non-life					**Life**		**Unallocated operating expenses of subsidiaries**	**Total**
	Property	**Engineering**	**Marine**	**Accident**	**Others**	**Short term**	**Long term**		
Insurance revenue	132	483	(243)	(23)	48	260	596	-	1,253
Insurance service expense	605	853	791	1,425	(1,061)	231	(127)	(744)	1,973
Net income or expense from reinsurance contracts held	(132)	(1,106)	163	-	(219)	(83)	-	-	(1,377)
Insurance service result	605	230	711	1,402	(1,232)	408	469	(744)	1,849
Insurance finance expenses	(506)	(538)	(187)	(116)	(893)	(166)	(11)	-	(2,417)
Reinsurance finance income	21	36	8	-	118	-	-	-	183
	(485)	(502)	(179)	(116)	(775)	(166)	(11)	-	(2,234)

19. SEGMENT INFORMATION (CONTD.)
- ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

	US$ '000								
31 December 2022 (reviewed) (restated)	Year ended 31 December 2022								
	Non-life					Life		Unallocated operating expenses of subsidiaries	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
Insurance revenue	145	368	(150)	5	3,492	(5)	920	-	4,775
Insurance service expense	4,252	7,004	2,875	(262)	2,093	2,757	261	(768)	18,212
Net income or expense from reinsurance contracts held	(638)	(1,780)	(164)	-	(737)	(79)	-	-	(3,398)
Insurance service result	3,759	5,592	2,561	(257)	4,848	2,673	1,181	(768)	19,589
Insurance finance expenses	1,230	1,225	373	220	2,287	379	560	-	6,274
Reinsurance finance income	(52)	(88)	(29)	-	(296)	(1)	-	-	(466)
	1,178	1,137	344	220	1,991	378	560	-	5,808

19. SEGMENT INFORMATION (CONTD.)

- ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

30 September 2022 (reviewed) (restated)	US$ '000								
	Period ended 30 September 2022								
	Non-life					Life		Unallocated operating expenses of subsidiaries	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
Insurance revenue	85	183	(66)	(3)	1,780	(5)	679	-	2,653
Insurance service expense	3,192	5,244	1,558	(60)	2,131	1,820	284	(800)	13,369
Net income or expense from reinsurance contracts held	(2,903)	1,428	2	-	(426)	(27)	-	-	(1,926)
Insurance service result	374	6,855	1,494	(63)	3,485	1,788	963	(800)	14,096
Insurance finance expenses	1,138	1,220	405	187	2,106	380	498	-	5,934
Reinsurance finance income	(51)	(82)	(36)	-	(295)	(1)	-	-	(465)
	1,087	1,138	369	187	1,811	379	498	-	5,469

20. INVESTMENT INCOME

	US$ '000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed) (restated)	Year ended 31 December 2022 (reviewed) (restated)
Interest income			
- Investment designated at fair value through profit or loss	**669**	685	698
- Cash and bank deposits	**7,270**	738	2,784
- Other debt securities	**2,535**	4,689	5,832
Realised gain on investment at fair value through other comprehensive income	**425**	1,114	1,776
Gain (loss) on fair value measurement of investments at fair value through profit or loss			
- Investment designated at fair value through profit or loss	**196**	(5,061)	(5,067)
Impairment loss on investment at fair value through other comprehensive income			
- Debt securities	**-**	(3,288)	(2,375)
- Other	**-**	(270)	(404)
(Loss) income from associate	**(22)**	64	64
Other	**(124)**	(373)	(1,731)
	10,949	(1,702)	1,577

21. INSURANCE FINANCE EXPENSES

	US$ '000		
	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Interest accreted to insurance contracts	**4,427**	1,348	1,791
Change in financial assumption through P&L	**(2,014)**	(7,290)	(8,078)
Change in financial assumption through OCI	**-**	-	-
Effect of unlocking CSM at looked-in rates and FCF at current rates	**-**	-	-
Net foreign exchange income or expense	**4**	8	13
Total insurance finance expense	**2,417**	(5,934)	(6,274)

22. REINSURANCE FINANCE INCOME

	US$ '000		
	For the financial year-to-date 30 September 2023 (reviewed)	For the financial year-to-date 30 September 2022 (reviewed) (restated)	For the year ended 31 December 2022 (reviewed) (restated)
Interest accreted to reinsurance contracts	**344**	92	121
Change in financial assumption through P&L	**(162)**	(558)	(589)
Net foreign exchange income or expense	**1**	1	2
Total reinsurance finance income	**183**	(465)	(466)

23. OTHER EXPENSES AND PROVISIONS

	US$ '000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed) (restated)	Year ended 31 December 2022 (reviewed) (restated)
Foreign exchange loss	**-**	2,230	1,200
Investment property impairment and depreciation (write back)	**157**	111	(132)
Operating expenses of non-insurance subsidiary	**555**	593	840
Provision for doubtful receivable & deposits	**54**	-	53
Other, net	**655**	380	1,821
Total other expenses and provisions	**1,421**	3,314	3,782

24. OTHER INCOME

	US$ '000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed) (restated)	Year ended 31 December 2022 (reviewed) (restated)
Foreign exchange gain	**83**	-	-
Third party administration services	**58**	324	172
Reversal of provisions	**-**	-	5,205
Other	**604**	772	896
Total other income	**745**	1,096	6,273

25. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed) (restated)	Year ended 31 December 2022 (reviewed) (restated)
Weighted average number of shares outstanding	’000	**198,115**	198,115	198,115
Net profit	US$’000	**9,909**	15,627	29,183
Earnings per share	US cents	**5.0**	7.9	14.7

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

	US$ ’000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed) (restated)	Year ended 31 December 2022 (reviewed) (restated)
Profit for the period	**9,888**	15,645	29,465
Change in insurance funds	**(14,253)**	(89,485)	(98,633)
Change in insurance receivable/payable, net	**2,444**	(2,376)	(3,921)
Change in accrued income	**(3,137)**	663	(1,298)
Change in other assets/liabilities, net	**(5,541)**	8,746	50,397
Net cash used in operating activities	**(10,599)**	(66,807)	(23,990)

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	US$'000	
	Dividends	Non-controlling Interest
Balances at 31 December 2022	**234**	**12,776**
Share of comprehensive income	**-**	**7**
Balances at 30 September 2023	**234**	**12,783**
Balances at 31 December 2021	234	12,815
Share of comprehensive income	-	(318)
Balances at 30 September 2022	234	12,497
Balances at 31 December 2021	234	12,815
Share of comprehensive income	-	(39)
Balances at 31 December 2022	234	12,776

28 . FAIR VALUE DISCLOSURE

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

	US$ '000				
	30 September 2023 (reviewed)				
	Book Value				
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total	Fair value
ASSETS					
Cash and cash equivalents	**-**	**-**	**213,665**	**213,665**	**213,665**
Investment assets	**29,851**	**131,455**	**-**	**161,306**	**161,306**
Accrued interest	**-**	**-**	**6,491**	**6,491**	**6,491**
Reinsurance contract assets	**-**	**-**	**4,757**	**4,757**	**4,757**
Non-insurance deposits	**-**	**-**	**89**	**89**	**89**
Other assets	**-**	**-**	**7,900**	**7,900**	**7,900**
LIABILITIES					
Insurance contract liabilities	**-**	**-**	**100,497**	**100,497**	**100,497**
Other liabilities	**-**	**-**	**985**	**985**	**985**

28. FAIR VALUE DISCLOSURE (CONTD.)

	US$ '000				
	31 December 2022 (reviewed) (restated)				
	Book Value				
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total	Fair value
ASSETS					
Cash and cash equivalents	-	-	215,141	215,141	215,141
Investment assets	-	174,557	-	174,557	174,557
Accrued interest	-	-	3,079	3,079	3,079
Reinsurance contract assets	-	-	4,417	4,417	4,417
Non-insurance deposits	-	-	111	111	111
Other assets	-	-	7,855	7,855	7,855
LIABILITIES					
Insurance contract liabilities	-	-	112,622	112,622	112,622
Other liabilities	-	-	1,554	1,554	1,554

	US$ '000				
	30 September 2022 (reviewed) (restated)				
	Book Value				
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total	Fair value
ASSETS					
Cash and cash equivalents	-	-	197,206	197,206	197,206
Investment assets	795	180,697	13,137	194,629	194,637
Accrued interest	-	-	1,390	1,390	1,390
Reinsurance contract assets	-	-	5,752	5,752	5,752
Non-insurance deposits	-	-	124	124	124
Other assets	-	-	7,950	7,950	7,950
LIABILITIES					
Insurance contract liabilities	-	-	124,525	124,525	124,525
Other liabilities	-	-	3,201	3,201	3,201

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.

28. 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 maximise 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 valuations technique is to arrive at fair value measurement that reflects the price that would be received on sale of the asset at the measurement date.

28. FAIR VALUE DISCLOSURE (CONTD.)

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

	US$'000			
30 September 2023 (reviewed)	**Level 1**	**Level 2**	**Level 3**	**Total**
At fair value through profit or loss				
Debt securities	**4,853**	**13,101**	**-**	**17,954**
Common stock of unlisted companies	**-**	**-**	**2,066**	**2,066**
Other	**-**	**-**	**9,831**	**9,831**
At fair value through other comprehensive Income				
Debt securities	**67,340**	**63,115**	**-**	**130,455**
Common stock of unlisted companies	**-**	**-**	**1,000**	**1,000**
	72,193	**76,216**	**12,897**	**161,306**

	US$'000			
31 December 2022 (reviewed)	Level 1	Level 2	Level 3	Total
At fair value through other comprehensive Income				
Debt securities	67,009	94,066	-	161,075
Common stock of unlisted companies	-	-	2,794	2,794
Other	-	-	10,688	10,688
	67,009	94,066	13,482	174,557

	US$'000			
30 September 2022 (reviewed)	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Designated at fair value on initial recognition				
Debt securities	-	795	-	795
At fair value through other comprehensive income				
Debt securities	50,542	115,618	-	166,160
Common stock of unlisted companies	-	-	2,741	2,741
Other	-	-	11,796	11,796
Forward foreign exchange contracts	-	1,192	-	1,192
	50,542	117,605	14,537	182,684

28. FAIR VALUE DISCLOSURE (CONTD.)

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

	US$ '000		
30 September 2023 (reviewed)	**Unlisted equity**	**Other**	**Total**
Balances at 1 January 2023	**2,794**	**10,688**	**13,482**
Gain (loss) on fair value movement	**246**	**(450)**	**(204)**
Investments made during the period	**26**	**81**	**107**
Investments redeemed during the period	**-**	**(488)**	**(488)**
Balances at 30 September 2023	**3,066**	**9,831**	**12,897**

	US$'000		
31 December 2022 (reviewed)	Unlisted equity	Other	Total
Balances at 1 January 2022	3,205	14,111	17,316
Loss on fair value movement	(115)	(1,339)	(1,454)
Investments made during the year	33	156	189
Investments redeemed during the year	(329)	(2,240)	(2,569)
Balances at 31 December 2022	2,794	10,688	13,482

	US$ '000		
30 September 2022 (reviewed)	Unlisted equity	Other	Total
Balances at 1 January 2022	3,205	14,111	17,316
Loss on fair value movement	(168)	(614)	(782)
Investments made during the period	33	106	139
Investments redeemed during the period	(329)	(1,807)	(2,136)
Balances at 30 September 2022	2,741	11,796	14,537

28. FAIR VALUE DISCLOSURE (CONTD.)

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 period ended 30 September 2023, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2022: nil ; 30 September 2022: nil). 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 condensed consolidated interim 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.

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.

29. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 30 September 2023, 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 2022. The Company holds 49% of the equity shares in its associate company Arima Insurance software W.L.L.

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.

29. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)

ii) Interest in subsidiaries: Takaful Re Limited

	US$ '000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed)	Year ended 31 December 2022 (reviewed)
Non-controlling interests	**46%**	46%	46%
Total assets	**37,145**	37,029	37,411
Total liabilities	**9,354**	9,860	9,637
Net assets	**27,791**	27,169	27,774
Revenue	**-**	(23)	(23)
Profit (Loss) for the period	**(45)**	39	613
Total comprehensive income	**16**	(690)	(85)
Comprehensive income attributable to non-controlling interests	**7**	(318)	(39)
Net cash used in operating activities	**(152)**	(1,337)	(1,380)
Net cash provided by (used in) investing activities	**500**	(310)	(5,305)
Net increase (decrease) in cash and cash equivalents	**348**	(1,647)	(6,685)

The subsidiary's policyholders 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 has been reduced to US$ 5.1 million in the books of the subsidiary and consequently in the condensed consolidated interim financial statements of the Group for the period ended 30 September 2023. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

30. 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.

The following is the summary of transactions with related parties:

30. RELATED PARTY TRANSACTIONS (CONTD.)

i) Associate companies:

	US$ '000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed)	Year ended 31 December 2022 (reviewed)
a) Service fees for administration services provided by associate	**215**	269	388
b) Balances outstanding			
- Payables	**68**	30	84

ii) Compensation to directors and key management personnel:

	US$ '000		
	Financial year-to-date 30 September 2023 (reviewed)	Financial year-to-date 30 September 2022 (reviewed)	Year ended 31 December 2022 (reviewed)
a) Directors			
- Remuneration proposed	**-**	-	740
- Attendance fees	**218**	197	297
- Travel expenses	**110**	76	125
b) Key management compensation			
- Salaries and other short-term employee benefits	**327**	260	347
- Post-employment benefits	**41**	107	120
- Others	**11**	14	15
c) Balances payable to key management	**395**	341	355

Consolidated financial statements for the year ended 31 December 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

(US$ '000)

	Note	2022	2021
ASSETS			
Cash and bank balances	5	215,141	59,055
Investments	6	175,097	424,970
Accrued income	8	3,446	2,148
Insurance receivables	9	7,077	29,141
Insurance deposits	10	19,159	21,728
Deferred policy acquisition costs	17	25	365
Reinsurers' share of technical provisions	11	8,559	38,516
Other assets	12	8,826	21,422
Investment property	13	4,754	4,622
Property and equipment	14	10,269	11,725
TOTAL ASSETS		**452,353**	**613,692**
LIABILITIES AND EQUITY			
LIABILITIES			
Technical provisions	15	133,830	255,778
Insurance payables	18	23,878	49,863
Other liabilities	19	17,281	29,093
TOTAL LIABILITIES		**174,989**	**334,734**
EQUITY			
Attributable to shareholders of parent company	20		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		40,705	55,198
Retained earnings		18,676	5,738
		264,588	266,143
Non-controlling interests	21	**12,776**	**12,815**
TOTAL EQUITY		**277,364**	**278,958**
TOTAL LIABILITIES AND EQUITY		**452,353**	**613,692**

These consolidated financial statements were approved by the Board of Directors on 27 February 2023 and signed on its behalf by:

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

(US$ ‘000)

	Note		2022	2021
Earned premiums	22		1,299	13,800
Claims and related provisions	22		22,106	14,961
Policy acquisition costs	22		235	(2,468)
Investment income attributable to insurance funds	23		354	4,269
Operating expenses	24		(5,560)	(6,845)
Underwriting result	22		**18,434**	**23,717**
Investment income attributable to shareholders’ funds	23		1,223	5,339
Operating expenses - non underwriting activities	24		(3,442)	(4,148)
Other income	25		6,774	3,467
Other expenses and provisions	26		(3,075)	(3,964)
Profit for the year			**19,914**	**24,411**
Attributable to:				
Non-controlling interests			282	346
Shareholders of parent company			**19,632**	**24,065**
			19,914	**24,411**
Earnings per share attributable to shareholders (basic and diluted):	27	(US Cents)	**9.9**	**12.1**

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

(US$ '000)

	Note	2022	2021
Profit for the year		19,914	24,411
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes on fair value of available for sale investments		(16,114)	(1,627)
Transfers for recognition of gains on disposal of available for sale investments	23	(1,776)	(2,515)
Transfers for impairment loss recognised on available for sale investments	23	2,779	862
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property	14	(1,444)	-
Other comprehensive income for the year		**(16,555)**	**(3,280)**
Total comprehensive income for the year		**3,359**	**21,131**
Attributable to:			
Non-controlling interests		(39)	349
Shareholders of parent company		3,398	20,782
		3,359	**21,131**

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

(US$ '000)

	Share capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
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**
Net profit for the year	-	-	-	-	-	-	19,632	19,632	282	19,914
Changes on fair value of available for sale investments	-	-	-	(15,839)	-	(15,839)	-	(15,839)	(275)	(16,114)
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(1,724)	-	(1,724)	-	(1,724)	(52)	(1,776)
Transfers for impairment loss recognised on available for sale investments	-	-	-	2,773	-	2,773	-	2,773	6	2,779
Revaluation of property	-	-	-	-	(1,444)	(1,444)	-	(1,444)	-	(1,444)
Total comprehensive income for the year	**-**	**-**	**-**	**(14,790)**	**(1,444)**	**(16,234)**	**19,632**	**3,398**	**(39)**	**3,359**
Dividends declared	-	-	-	-	-	-	(4,953)	(4,953)	-	(4,953)
Transfer of net depreciation on revalued property	-	-	-	-	(222)	(222)	222	-	-	-
Transfer to (from) non-distributable reserves	-	-	1,963	-	-	1,963	(1,963)	-	-	-
Balances at 31 December 2022	**220,000**	**(14,793)**	**42,295**	**(4,263)**	**2,673**	**40,705**	**18,676**	**264,588**	**12,776**	**277,364**
Parent company balances at 31 December 2022	220,000	(14,793)	42,158	(3,959)	2,673	40,872	18,509	264,588	-	264,588

	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	-	-	-	-	-	-	-	-	(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	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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

(US$ '000)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		17,633	28,613
Reinsurance premiums paid		(64,699)	(21,947)
Claims and acquisition costs paid		(49,662)	(147,660)
Reinsurance receipts in respect of claims		27,552	72,762
Investment income		5,396	43
Interest received		1,702	1,872
Operating expenses paid		(9,729)	(11,716)
Other (expenses) income, net		(2,980)	(3,319)
Insurance deposits received (paid), net		2,542	102
Sale of trading investments		48,255	-
Net cash used in operating activities	30	**(23,990)**	**(81,250)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity/sale of investments		209,728	115,744
Purchase of investments		(38,880)	(92,173)
Term deposits with bank		(134,306)	18,473
Interest received		6,277	7,398
Investment income		1,053	2,572
Collateralised cash deposits		6,850	10,790
Purchase of property and equipment		(33)	(5)
Purchase of intangible assets		(17)	-
Sale of associate		-	90
Net cash provided by investing activities		**50,672**	**62,889**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(4,953)	-
Dividend received from associate		49	-
Subsidiary's capital reduction - non controlling interest		-	(4,600)
Net cash used in financing activities		**(4,904)**	**(4,600)**
Net increase (decrease) in cash and cash equivalents		**21,778**	**(22,961)**
Effect of exchange rates on cash and cash equivalents		2	(11)
Cash and cash equivalents, beginning of year		40,464	63,436
Cash and cash equivalents, end of year	5	**62,244**	**40,464**
Term deposits with bank		152,897	18,591
Cash and bank balances, end of year	5	**215,141**	**59,055**

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

FOR THE YEAR ENDED 31 DECEMBER 2022

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 IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) 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 regrouped where necessary, to conform to the current year's presentation.

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 Group 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.

RUSSIA – UKRAINE CONFLICT

The current ongoing conflict between Russia - Ukraine has triggered a global economic disruption and has, amongst other impacts, led to increased volatility in financial markets and commodity prices due to disruption of supply chain which may affect a broad range of entities across different jurisdictions and industries.

The management has carried out an assessment of its portfolio and has concluded that it does not have any material exposures to / from the impacted countries. However, potential for indirect exposures continue to exist. At this stage it is difficult to quantify the full impact of this conflict since it depends largely on the nature and duration of uncertain and unpredictable events, such as further military action, additional sanctions, and reactions to ongoing developments by global financial markets. The management will continue to closely monitor impact of this evolving situation on its portfolio to assess indirect impact, if any.

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 and these are considered to represent management's best assessment based on available or observable information.

New standards, amendments and interpretations issued but not yet effective

The following standards, amendments and interpretations have been issued but are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. However, the Group has not early applied the new standards in the preparation of these consolidated financial statements.

I. IFRS 17 INSURANCE CONTRACTS AND IFRS 9 FINANCIAL INSTRUMENTS

The Group will apply IFRS 17 and IFRS 9 for the first time on 1 January 2023. These standards will bring significant changes to the accounting for insurance

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

and reinsurance contracts and financial instruments and are expected to have a material impact on the Group's consolidated financial statements in the period of initial application. The Group has an implementation program underway to implement IFRS 17 and IFRS 9. The program is responsible for setting accounting policies and developing application methodologies, establishing appropriate processes and controls, sourcing appropriate data and implementing actuarial and finance system changes.

The Group remains on track to start providing IFRS 17 and IFRS 9 consolidated financial statements in line with the requirements for interim reporting at its effective date from 1 January 2023. The Group has also prepared a semi-annual financial statement in accordance with IFRS 17 for the six-month period ending 30 June 2022 as per CBB requirements primarily based on the non-life data with necessary assumptions. The impact assessment for the Life portfolio is currently ongoing. Based on initial analysis, the Group estimates that, on adoption of IFRS 17, the impact of these changes in the Group's total equity as of 1 January 2022 (transition date) was positive US$ 334,000 on the non-life book.

The assessment above is preliminary because not all of the transition work has been finalised. The actual impact of adopting IFRS 17 and IFRS 9 on 1 January 2023 and 2022 may change because:

- the assessment made by the entity is preliminary and incomplete as only non-life segment has produced a complete analysis of the impact of the new requirements. The results therefore should not be extrapolated and are subject to changes and amendments. Upon completion of this work, the quantum of impact may change and the position at 1 January 2022 may require adjustment by the date of initial application.

- the Group is continuing to refine the new accounting processes and internal controls required for applying IFRS 17 and IFRS 9;

- although parallel runs were carried out in the second half of 2022, the Group has certain transition processes that are under review and update, including data review as well as the new systems and associated controls are still under process and have not been operational;

- the Group has not finalised the testing and assessment of controls over its governance framework; and

- the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Group finalises its first consolidated financial statements that include the date of initial application.

A. IFRS 9 Financial Instrument

IFRS 9 replaces IAS 39, Financial Instruments: Recognition and Measurement and is effective for annual periods beginning on or after 1 January 2018. However, the Group has met the relevant criteria for exemption and has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. Consequently, the Group will apply IFRS 9 for the first time on 1 January 2023.

i. Financial assets - Classification

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 includes three principal measurement categories for financial assets - measured at amortised cost, FVOCI (fair value through other comprehensive income) and FVTPL (fair value through profit and loss account) and eliminates the previous IAS 39 categories of held-to-maturity investments, loans and receivables, and available-for-sale financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as measured at FVTPL:

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Nevertheless, on initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. The election is made on an instrument-by-instrument basis.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9 are not separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Impact assessment
IFRS 9 will affect the classification and measurement of financial assets held at 1 January 2023 as follows.

- Derivative assets, which are generally classified as held-for-trading and measured at FVTPL under IAS 39, will also be measured at FVTPL under IFRS 9.
- Debt investments that are classified as available-for-sale under IAS 39 may, under IFRS 9, be measured at amortised cost, FVOCI or FVTPL, depending on the particular circumstances.
- The majority of equity investments that are classified as available-for-sale under IAS 39 will be measured at FVTPL under IFRS 9.
- Held-to-maturity investments and loans and receivables measured at amortised cost under IAS 39 will generally also be measured at amortised cost under IFRS 9.

Because a majority of the Group's financial assets are measured at fair value both before and after transition to IFRS 9, the new classification requirements are not expected to have a material impact on the Group's total equity at 1 January 2023 or 2022. The Group does not hold any derivative instruments as at 31st Dec 2022.

ii. Financial assets - Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss (ECL)' model. This will require considerable judgement about how changes in economic factors affect ECL, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Group's financial assets measured at amortised cost, debt investments at FVOCI and lease receivables.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL or lifetime ECL. Lifetime ECL are the ECL that result from all possible default events over the expected life of the financial instrument; 12-month ECL are the portion of lifetime ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group will measure loss allowances at an amount equal to lifetime ECL, except in the following cases, for which the amount recognised will be 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date, which the Group considers to be the case when the security's credit risk rating is equivalent to the globally understood definition of 'investment grade'; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

The Group has evaluated the impact of ECL provisioning on the bond portfolio. The credit rating of the bonds were identified and cross referenced with the S&P's 1-year probability of default. Loss Given Default (LGD) is assumed as 50%, which is based on a Moody Study for B-rated securities. Based on such evaluation, minor negative impact of ECL amounting to US$ 265,114 was arrived as at 31st Dec 2021. Currently, ARIG has used this assumption for the purpose of this exercise. Going forward the Group will review the appropriateness and adequacy of this assumption on a regular basis.

When determining whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group will consider reasonable and supportable information that is relevant and available without undue cost or effort. This will include both qualitative and quantitative information and analysis based on the Group's experience, expert credit assessment and forward-looking information. As a backstop, the Group will

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

consider that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due.

iii. Financial liabilities

IFRS 9 largely retains the requirements in IAS 39 for the classification and measurement of financial liabilities. However, under IAS 39 all fair value changes of financial liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes will generally be presented as follows.

- The amount of the change in the fair value that is attributable to changes in the credit risk of the liability will be presented in OCI.
- The remaining amount of the change in the fair value will be presented in profit or loss.

The Group expects an immaterial impact from adopting the requirements above.

iv. Hedge accounting

When initially applying IFRS 9, the Group may choose as its accounting policy to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. The Group will adopt the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedging relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

The Group does not have any hedging instruments as at 31st Dec 2022 that meets the requirements of IFRS 9.

v. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will be applied retrospectively, except as described below.

- The comparative period will be restated. In accordance with IFRS 9's transition requirements, IFRS 9 does not apply to financial assets that had already been derecognised at 1 January 2023; however, the Group will elect to apply the classification overlay in IFRS 17 to financial assets derecognised in 2022 to present comparative information as if the classification and measurement (including impairment) requirements of IFRS 9 had been applied to such financial assets, by using reasonable and supportable information to determine how they would be classified and measured on initial application of IFRS 9.
- The following assessments have to be made on the basis of the facts and circumstances that exist at 1 January 2023:
  - the determination of the business model within which a financial asset is held;
  - the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL; and
  - the designation of certain investments in equity instruments not held for trading as at FVOCI.
- If a financial asset has low credit risk at 1 January 2023, then the Group will determine that the credit risk on the asset has not increased significantly since initial recognition.

B. IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4, Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted.

i. Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features ("DPF").

When identifying contracts in the scope of IFRS 17, in some cases the Group assessed whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For reinsurance contracts, the Group does not expect significant changes arising from the application of these requirements.

Based on the assessment carried out on the portfolio, All contracts that were in the scope of IFRS 4 have been assessed to be in the scope of IFRS 17.

ii. Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i .e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

When a contract is recognized, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts may be added. Groups of reinsurance contracts are established such that each group comprises a single contract.

The level of aggregation requirements of IFRS 17 limit the offsetting of gains on groups of profitable contracts, which are generally deferred as a Contractual Service Margin (CSM), against losses on groups of onerous contracts, which are recognised immediately. Compared with the level at which the liability adequacy test is performed under IFRS 4 (i.e. portfolio of contracts level), the level of aggregation under IFRS 17 is more granular and is expected to result in more contracts being identified as onerous and losses on onerous contracts being recognised sooner.

The Group has used judgement in assessing contracts that carry similar risk while determining portfolio level. Further, the Group does not write contracts that meet the criteria for combination under IFRS 17.

iii. Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognized contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance contracts

For insurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services (including insurance coverage and investment services). A substantive obligation to provide services ends when:

- the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The Group has treaty and facultative (FAC) arrangements that cover mortality and morbidity risks without any guarantees. Therefore, the contract boundary will not be affected by guarantees.

Reinsurance contracts

For reinsurance contracts, cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer. A substantive right to receive services from the reinsurer ends when the reinsurer:

- has the practical ability to reassess the risks transferred to it and can set a price or level of benefits that fully reflects those reassessed risks; or
- has a substantive right to terminate the coverage.

Some of the Group's contracts (both inward reinsurance and outward retrocession) cover

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

underlying contracts issued within the annual term on a risk-attaching basis. Currently, the measurement of these reinsurance contracts generally aligns with that of the underlying contracts. However, under IFRS 17, the contractual term of these contract will be treated longer than underlying contracts, hence, triggering the need to assess the measurement models applicable for these contracts.

The Group has XOL inward and outward contracts as well. The arrangement is annual on a loss occurring basis and therefore, the contract term will be for the period of arrangement, that is, one year.

iv. Measurement overview

IFRS 17 introduces a measurement model based on the estimates of the present value of future cash flows that are expected to arise as the Group fulfils the contracts, an explicit risk adjustment for non-financial risk and a CSM.

Premium Allocation Approach (PAA)

The PAA is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria. The Group expects that it will apply the PAA to all contracts in the non-life segment because the following criteria are expected to be met at inception. Either:

- The coverage period of each contract in the group is one year or less. OR
- The Group reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

v. Measurement - Life contracts

Insurance contracts and investment contracts with DPF

On initial recognition, the Group will measure a group of contracts as the total of (a) the fulfilment cash flows, which comprise estimates of future cash flows, adjusted to reflect the time value of money and the associated financial risks, and a risk adjustment for non-financial risk; and (b) the CSM. The fulfilment cash flows of a group of contracts do not reflect the Group's non-performance risk.

- There are no contracts with direct participation features that may lead to application of VFA. Hence, GMM will be applied throughout for the long-term business.
- All cash flows will be discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity characteristics of the contracts.
- The risk adjustment for non-financial risk for a group of contracts, determined separately from the other estimates, is the compensation that the Group would require for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk.
- The CSM of a group of contracts represents the unearned profit that the Group will recognize as it provides services under those contracts. On initial recognition of a group of contracts, the group is not onerous if the total of the following is a net inflow:
  (a) the fulfilment cash flows;
  (b) any cash flows arising at that date; and
  (c) any amount arising from the derecognition of any assets or liabilities previously recognized for cash flows related to the group (including assets for insurance acquisition cash flows; see below).

  In this case, the CSM is measured as the equal and opposite amount of the net inflow, which results in no income or expenses arising on initial recognition. If the total is a net outflow, then the group is onerous and the net outflow is generally recognized as a loss in profit or loss; a loss component is created to depict the amount of the net cash outflow, which determines the amounts that are subsequently presented in profit or loss as reversals of losses on onerous contracts and are excluded from insurance revenue.

Subsequently, the carrying amount of a group of contracts at each reporting date is the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be provided under the contracts in future periods and (b) any remaining CSM at that date.

The liability for incurred claims includes the fulfilment cash flows for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported.

- The fulfilment cash flows of groups of contracts are measured at the reporting date using current estimates of future cash flows, current discount rates and current estimates of the risk

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

adjustment for non-financial risk. Changes in fulfilment cash flows are recognized as follows.

Changes relating to future services	Adjusted against the CSM (or recognized in the insurance service result in profit or loss if the group is onerous)
Changes relating to current or past services	Recognized in the insurance service result in profit or loss
Effects of the time value of money, financial risk and changes therein on estimated future cash flows	Recognized as insurance finance income or expenses

- The CSM is adjusted subsequently only for changes in fulfilment cash flows that relate to future services and other specified amounts and is recognized in profit or loss as services are provided. The CSM at each reporting date represents the profit in the group of contracts that has not yet been recognized in profit or loss because it relates to future service.

Reinsurance contracts
The Group will apply the same accounting policies to measure a group of reinsurance contracts, with the following modifications.

The carrying amount of a group of reinsurance contracts at each reporting date is the sum of the asset for remaining coverage and the asset for incurred claims. The asset for remaining coverage comprises (a) the fulfilment cash flows that relate to services that will be received under the contracts in future periods and (b) any remaining CSM at that date.

The Group will measure the estimates of the present value of future cash flows using assumptions that are consistent with those used to measure the estimates of the present value of future cash flows for the underlying insurance contracts, with an adjustment for any risk of non-performance by the reinsurer. The effect of the non-performance risk of the reinsurer is assessed at each reporting date and the effect of changes in the non-performance risk is recognized in the insurance service result in profit or loss.

The risk adjustment for non-financial risk will represent the amount of risk being transferred by the Group to the reinsurer.

The CSM of a group of reinsurance contracts represents a net cost or net gain on purchasing reinsurance. It is measured such that no income or expense arises on initial recognition, except that the Group will:

- recognize any net cost on purchasing reinsurance coverage immediately in profit or loss as an expense if it relates to insured events that occurred before the purchase of the group; and
- recognize income when it recognizes a loss on initial recognition of onerous underlying contracts if the reinsurance contract is entered into before or at the same time as the onerous underlying contracts are recognized. A loss-recovery component is created, which determines the amounts that are subsequently disclosed as reversals of recoveries of losses from the reinsurance contracts and are excluded from the allocation of reinsurance premiums paid.

The CSM is adjusted subsequently only for specified amounts and is recognized in profit or loss as services are received.

Insurance acquisition cash flows
Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs.

Insurance acquisition cash flows that are directly attributable to a group of contracts (e.g. nonrefundable commissions paid on issuance of a contract) are allocated only to that group and to the groups that will include renewals of those contracts.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts. The Group does not have material pre-recognition acquisition costs. Therefore, this does not apply to the Group's IFRS-17 implementation

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

process.

vi. Measurement - Non-life contracts

On initial recognition of each group of Non-life insurance contracts, the carrying amount of the liability for remaining coverage is measured at the premiums received on initial recognition.

For acquisition expenses identified before 2018 (before the group ceased writing new business), the Group has decided to amortise insurance acquisition cash flows over the duration of the contract for all non-life contracts.

Subsequently, the carrying amount of the liability for remaining coverage is increased by any further premiums received and decreased by the amount recognised as insurance revenue for services provided.

Similarly, the carrying amount of the liability for remaining coverage is decreased by any further acquisition cash flows paid and increased by the amount recognised as amortised acquisition expense under insurance revenue.

The Group expects that the time between providing each part of the services and the related premium due date will be no more than a year. Accordingly, as permitted under IFRS 17, the Group will not adjust the liability for remaining coverage to reflect the time value of money and the effect of financial risk.

If at any time before and during the coverage period, facts and circumstances indicate that a group of contracts is onerous, then the Group will recognize a loss in profit or loss and increase the liability for remaining coverage to the extent that the current estimates of the fulfilment cash flows that relate to remaining coverage exceed the carrying amount of the liability for remaining coverage.

The fulfilment cash flows will be discounted (at current rates) if the liability for incurred claims is also discounted (see below).

The Group will recognise the liability for incurred claims of a group of contracts at the amount of the fulfilment cash flows relating to incurred claims. The future cash flows will be discounted (at current rates).

The Group will apply the same accounting policies to measure a group of reinsurance contracts, adapted where necessary to reflect features that differ from those of insurance contracts.

vii. Measurement - Significant judgements and estimates

Estimates of future cash flows

In estimating future cash flows, the Group will incorporate, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows will reflect the Group's view of current conditions at the reporting date, as long as the estimates of any relevant market variables are consistent with observable market prices.

When estimating future cash flows, the Group will take into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts will not be taken into account until the change in legislation is substantively enacted.

Cash flows within the boundary of a contract are those that relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts. Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows will be attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities will be allocated to groups of contracts using methods that are systematic and rational and will be consistently applied to all costs that have similar characteristics. The Group will generally allocate insurance acquisition cash flows to groups of contracts based on the total premiums for each group, claims handling costs based on the number of claims for each group, and maintenance

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

and administration costs based on the number of in-force contracts in each group.

Discount rates
The risk-free base curve will be chosen with consideration to a range of potential curves available both locally and internationally (USD denominated). No illiquidity premium will be charged on top of the risk free curve unless the impact is considered material.

Risk adjustments for non-financial risk
Risk adjustments for non-financial risk will be determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. They will be determined separately for the Life and Non-life contracts and allocated to groups of contracts based on an analysis of the risk profiles of the groups. They reflect the effects of the diversification benefits between Group entities, which will be determined using a correlation matrix technique.

The Group is currently finalizing the approach to be used for risk adjustment. For non-life contracts, the Group will be using a stochastic approach with Value At Risk measure. For long term life, the Group will use the stress testing approach.

viii. Presentation and disclosure

IFRS 17 will significantly change how insurance contracts, reinsurance contracts and investment contracts with DPF are presented and disclosed in the Group's consolidated financial statements.

Under IFRS 17, portfolios of insurance contracts and investment contracts with DPF that are assets and those that are liabilities, and portfolios of reinsurance contracts that are assets and those that are liabilities, are presented separately in the statement of financial position. Balances such as insurance receivables and payables will no longer be presented separately.

Under IFRS 17, amounts recognized in the statement of profit or loss and OCI are disaggregated into (a) an insurance service result, comprising insurance revenue and insurance service expenses; and (b) insurance finance income or expenses. Amounts from reinsurance contracts will be presented separately.

The separate presentation of underwriting and financial results under IFRS 17 and IFRS 9 will provide added transparency about the sources of profits and quality of earnings.

Insurance service result
For contracts not measured using the PAA, insurance revenue for each year represents the changes in the liabilities for remaining coverage that relate to services for which the Group expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. For contracts measured using the PAA, insurance revenue is recognized based on an allocation of expected premium receipts to each period of coverage, which is based on the expected timing of incurred insurance service expenses for certain property contracts and the passage of time for other contracts. The requirements in IFRS 17 to recognize insurance rsevenue over the coverage period will result in slower revenue recognition compared with the Group's current practice of recognizing revenue when the related premiums are written.

Expenses that relate directly to the fulfilment of contracts will be recognized in profit or loss as insurance service expenses, generally when they are incurred. Expenses that do not relate directly to the fulfilment of contracts will be presented outside the insurance service result.

The Group will disclose the income from reinsurance contracts held and the expenses for reinsurance contracts held separately in two lines.

The Group will choose not to disaggregate changes in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expenses. All changes in the risk adjustment for non-financial risk recognized in profit or loss will be included in the insurance service result.

Insurance finance income and expenses
Under IFRS 17, changes in the carrying amounts of groups of contracts arising from the effects of the time value of money, financial risk and changes therein are generally presented as insurance finance income or expenses. They include changes in the measurement of groups of contracts caused by changes in the value of underlying items (excluding additions and withdrawals). The Group opted to include insurance finance income or expenses for the period in profit or loss only.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

ix. Transition

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent practicable, except as described below. Under the full retrospective approach, at 1 January 2022 the Group will:

- identify, recognise and measure each group of insurance contracts, reinsurance contracts and investment contracts with DPF as if IFRS 17 had always been applied;
- identify, recognise and measure any assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that they will not be tested for recoverability before 1 January 2022;
- derecognise previously reported balances that would not have existed if IFRS 17 had always been applied (including some deferred acquisition costs, provisions for levies attributable to existing insurance contracts and customer-related intangible assets related to acquired insurance contracts);
- measure owner-occupied properties, own financial liabilities and own shares held that are underlying items of direct participating contracts at fair value; and
- recognise any resulting net difference in equity. The carrying amount of goodwill from previous business combinations will not be adjusted.

If it is impracticable to apply a full retrospective approach to a group of contracts or to an asset for insurance acquisition cash flows, then the Group will choose between the modified retrospective approach and the fair value approach. However, if the Group cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

Insurance contracts, reinsurance contracts and investment contracts with DPF

The Group is looking to apply the fair value approach to its Long term life contracts. For the non-life and short term life contracts, the Group is aiming to apply a full retrospective approach with possible work arounds, where ever the Group faces operational challenges.

The Group considers the full retrospective approach impracticable under any of the following circumstances.

- The effects of retrospective application are not determinable because the information required has not been collected (or has not been collected with sufficient granularity) or is unavailable because of system migrations, data retention requirements or other reasons.
- The full retrospective approach requires assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that cannot be made without the use of hindsight.
- The retrospective application requires the use of significant estimates of amounts and it is not possible to determine whether such estimates are based on data available at that retrospective/historical date.

The Group has assessed the availability of data for the long-term life portfolio and found it to fit all three circumstances mentioned above. Hence, fair value approach to transition was decided for that business.

II. OTHER STANDARDS, AMENDMENTS AND INTERPRETATION TO STANDARDS

The following new standards, amendments and interpretations to standards that are relevant to the Group are not expected to have a significant impact on the Group's consolidated financial statements:

– Classification of liabilities as current or non-current (amendements to IAS 1)
– Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
– Definition of Accounting Estimates (Amendments to IAS 8)

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company and all of its subsidiaries made up to 31 December 2022.

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.

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

iii) Going concern

At the Extraordinary General Meeting (EGM) on 13 August 2020, the Shareholders had decided to cease writing business and place the insurance portfolio in runoff. The Shareholders also authorised the Board of Directors to look for potential buyers to divest their shares in the company or sale of re-insurance portfolio of the Company. This decision to cease writing business had a significant impact on the strategic direction and future of the Company. The company has sought the approval of CBB to implement the resolution of the shareholders.

As there are risks relating to contracts from both life & non-life book have not yet expired and will only expire after considerable time, Management expect that the proposed run-off of the existing insurance portfolio will take more than 12 months. The company is highly liquid with cash and short-term deposits (less than 3 months) of US$ 62.2 million as on 1 Jan 2023 and has surplus capital as compared to its book of business.

The Company is continuing with its other activities including that of managing investments representing the Shareholders and Policyholders funds.

Considering the above, it is expected that the Company would be a going concern in the next 12 months. Therefore, the consolidated financial statements have been prepared on going concern basis.

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:

4. MANAGEMENT OF INSURANCE RISKS (Continued)

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.

FOR THE YEAR ENDED 31 DECEMBER 2022

4. MANAGEMENT OF INSURANCE RISKS (Continued)

Credit risks relating to reinsurance arrangements are analysed as follows:

(US$ '000)

2022	Receivables	Share of claims outstanding	Total
Balance relating to reinsurers:			
- With investment grade rating	1,344	6,400	7,744
- Other	2,812	1,449	4,261
	4,156	**7,849**	**12,005**

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**

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)

2022	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
Reinsurance assets (liabilities), net	(291)	(1,076)	(3,812)	(8,718)	(12,773)

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

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.

v) Sensitivity analysis:

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

(US$ '000)

	2022	2021
5% increase in loss ratio	(65)	(690)
5% decrease in loss ratio	65	690
10% increase in US Dollar exchange rate	4,858	5,945
10% decrease in US Dollar exchange rate	(5,938)	(7,266)

FOR THE YEAR ENDED 31 DECEMBER 2022

5. CASH AND BANK BALANCES

(US$ '000)

	2022	2021
Cash and bank balances	31,244	40,464
Cash and cash equivalents	31,244	40,464
Deposits with maturity less than 3 months	31,000	-
Deposits with maturity over 3 months	152,897	18,591
	215,141	**59,055**

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:

(US$ '000)

	2022	2021
Interest receivable basis:		
- Bank balances	Daily/Monthly	Daily/Monthly
- Deposits with short term maturities	On maturity	On maturity
Effective rates	0.01% - 5.79%	0.01% - 3.15%

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

iii) Currency risk:

(US$ '000)

	2022	2021
U.S. Dollar	206,637	43,613
Bahraini Dinar	6,898	6,609
Pound Sterling	932	7,564
Euro	282	648
Other	392	621
	215,141	**59,055**

FOR THE YEAR ENDED 31 DECEMBER 2022

6. INVESTMENTS

(US$ '000)

	2022	2021
At fair value through profit or loss		
Designated at fair value on initial recognition		
Debt securities		
- Investment grade	-	99,312
- Other	-	6,105
	-	105,417
Held to maturity		
Debt securities		
- Investment grade	-	6,002
- Other	-	8,060
	-	14,062
Available for sale		
Debt securities		
- Supra-nationals and OECD country governments	27,005	27,850
- Investment grade	96,709	162,946
- Other	37,361	96,494
Common stock of unlisted companies	2,794	3,205
Other equity type investment	10,688	14,111
	174,557	304,606
Loans and receivables	-	360
Investment in associates	540	525
	175,097	**424,970**

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6. INVESTMENTS (Continued)

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

(US$ '000)

	2022	2021
At 1 January	1,908	1,492
Impairment recognised during the year	2,375	416
Provision reversed on sale	(3,008)	-
At 31 December	**1,275**	**1,908**

Debt securities amounting to US$ nil (2021: US$ 18.2 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:

2022	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	0.750% - 5.839%	0.750% - 5.839%
Other debt securities	Monthly/Semi-annual/ Annual	1.740% - 5.500%	1.740% - 5.500%

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%

FOR THE YEAR ENDED 31 DECEMBER 2022

6. INVESTMENTS (Continued)

iii) Debt securities - currency risk:

(US$ '000)

2022	U.S. Dollar	Bahraini Dinar	Other	Total
Supra-nationals and OECD country government securities	27,005	-	-	27,005
Investment grade debt Securities	96,709	-	-	96,709
Other debt securities	33,424	3,937	-	37,361
	157,138	**3,937**	**-**	**161,075**
2021				
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**

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)

	2022		2021	
	Principal Amount	Book value	Principal amount	Book value
Supra-nationals and OECD country government securities:				
- Due in one year or less	28,000	27,005	28,000	27,850
	28,000	27,005	28,000	27,850
Debt securities of investment grade issuers:				
- Due in one year or less	26,000	25,685	65,561	63,635
- One to five years	71,000	65,330	130,006	133,591
- More than five years	6,500	5,694	66,762	71,034
	103,500	96,709	262,329	268,260
Other debt securities:				
- Due in one year or less	4,944	3,977	944	-
- One to five years	36,482	33,384	43,584	44,098
- More than five years	-	-	5,159	66,561
	41,426	37,361	49,687	110,659
	172,926	**161,075**	**340,016**	**406,769**

FOR THE YEAR ENDED 31 DECEMBER 2022

6. INVESTMENTS (Continued)

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)

	2022	2021
U.S. Dollar	1,794	2,205
Other	1,000	1,000
	2,794	**3,205**

vi) Commitments:

The Group has commitments in respect of uncalled capital in available for sale investments amounting to US$ 8.3 million (2021: US$ 7.7 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)

	2022		2021	
	Income	Equity	Income	Equity
Interest rate				
+ 100 basis points shift in yield curves-				
debt instruments	(25)	(4,149)	(2,136)	(7,350)
– 100 basis points shift in yield curves-				
debt instruments	25	2,294	2,164	5,549
Currency risk				
10% increase in US Dollar exchange rate	(1,131)	-	(5,881)	-
10% decrease in US Dollar exchange rate	1,382	-	7,187	-
Equity price				
10% increase in equity prices	-	-	1,161	-
10% decrease in equity prices	-	-	(1,161)	-

FOR THE YEAR ENDED 31 DECEMBER 2022

8. ACCRUED INCOME

(US$ '000)

	2022	2021
Accrued insurance premiums		
Expected to be received:		
- Within 12 months	334	367
- After 12 months	33	37
	367	404
Accrued interest		
- Expected to be received within 12 months	3,079	1,744
	3,446	**2,148**

9. INSURANCE RECEIVABLES

(US$ '000)

	2022	2021
Balances due:		
- Within 12 months	7,049	29,097
- After 12 months	28	44
	7,077	**29,141**

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

(US$ '000)

	2022	2021
At 1 January	16,752	16,670
Additional provision for impairment	-	82
31 December	**16,752**	**16,752**

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

(US$ '000)

	2022	2021
Over two years	3,327	3,327
	3,327	**3,327**

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

(US$ '000)

	2022	2021
Upto 6 months	946	334
6 to 12 months	1,508	1,020
	2,454	**1,354**

FOR THE YEAR ENDED 31 DECEMBER 2022

10. INSURANCE DEPOSITS

(US$ '000)

	2022	2021
Balances due:		
- Within 12 months	9,174	13,307
- After 12 months	9,985	8,421
	19,159	**21,728**

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

(US$ '000)

	2022	2021
At 1 January	1,978	1,976
Provision for impairment	-	2
31 December	**1,978**	**1,978**

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

(US$ '000)

	2022	2021
Over ten years	196	196
	196	**196**

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

(US$ '000)

	2022	2021
Upto 1 year	3,378	1,058
1 to 3 years	2,076	1,692
	5,454	**2,750**

FOR THE YEAR ENDED 31 DECEMBER 2022

11. REINSURERS' SHARE OF TECHNICAL PROVISIONS

(US$ '000)

	2022	2021
General insurance business		
- Claims outstanding	7,836	21,007
- Unreported claims	708	16,848
- Deferred retrocession premium reserve	1	645
	8,545	38,500
Life insurance business		
- Claims outstanding	13	15
- Unreported claims	1	1
	14	16
	8,559	**38,516**

12. OTHER ASSETS

(US$ '000)

	2022	2021
Intangible assets:		
- Computer software	9,994	9,977
	9,994	9,977
Less: Accumulated amortization	(9,661)	(9,648)
	333	329
Other assets		
- Collateralised cash deposits	7,761	14,611
- Other receivables	240	5,996
- Prepayments	492	486
	8,493	21,093
	8,826	**21,422**

(US$ '000)

	2022	2021
Movement in intangible assets:		
Net book value at 1 January	329	538
- Additions	17	-
- Amortization charge	(13)	(21)
- Disposals	-	(188)
Net book value at 31 December	**333**	**329**

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

FOR THE YEAR ENDED 31 DECEMBER 2022

13. INVESTMENT PROPERTY

		(US$ '000)
	2022	2021
Carrying value at 1 January	4,622	4,622
Reversal of impairment	280	143
Depreciation	(148)	(143)
Carrying value at year-end	**4,754**	**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 2022 by an independent Royal Institution of Chartered Surveyors (RICS) registered valuer. The fair value of the investment property as at 31 December 2022 USD 4,754 million (2021: USD 4.622 million) and fair value measurement has been categorised as Level 3.

14. PROPERTY AND EQUIPMENT

		(US$ '000)
	2022	2021
Land	1,972	2,080
Building	8,192	9,833
Furniture and fixtures	6,921	6,921
Hardware	2,290	2,360
Office equipments	460	447
Others	397	397
	20,232	**22,038**
Less: Accumulated depreciation and impairment		
Building	-	(222)
Furniture and fixtures	(6,907)	(6,906)
Hardware	(2,273)	(2,351)
Office equipments	(449)	(446)
Others	(334)	(388)
	(9,963)	(10,313)
	10,269	**11,725**
Movements in property and equipment:		
Net book value at 1 January	11,725	12,006
- Revaluation of property	(1,147)	152
- Additions	33	5
- Disposals	(1)	(1)
- Depreciation charge	(341)	(437)
Net book value at 31 December	**10,269**	**11,725**

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14. PROPERTY AND EQUIPMENT (Continued)

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.

The head office property was revalued at year end by independent external valuer and classified as level 2 in the fair value measurement hierarchy as it has been valued using investment approach method, the fair value of building including land has been determined at US$ 5,115,000 against a carrying value of US$ 6,559,000. The decrease in fair value of land of US$ 108,000 and the fair value of the building of USD 1,336,000 has been adjusted to property revaluation reserve.

TRL Building has been revalued as at December 2022 by an independent RICS registered valuer and accordingly an impairment reversal of US$ 297,249 has been recognised in the profit or loss.

15. TECHNICAL PROVISIONS

(US$ '000)

	2022	2021
General insurance business		
Claims outstanding	89,328	142,545
Unreported losses	15,931	78,372
Unearned premiums	669	3,956
	105,928	224,873
Life insurance business		
Claims outstanding	8,256	10,973
Unreported losses	19,636	19,767
Unearned premiums	10	165
	27,902	30,905
	133,830	**255,778**

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

FOR THE YEAR ENDED 31 DECEMBER 2022

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						
	2017	2018	2019	2020	2021	2022	**Total**
Gross							
Estimate of incurred claims costs:							
- At end of underwriting year	127,688	98,051	55,541	1,474	-	-	
- One year later	233,862	198,985	112,330	1,033	-	-	
- Two years later	250,680	206,944	110,136	845	-	-	
- Three years later	235,117	204,591	112,572	-	-	-	
- Four years later	230,929	201,385	-	-	-	-	
- Five years later	227,550	-	-	-	-	-	
Current estimate of incurred claims	227,550	201,385	112,572	845	-	-	542,352
Cumulative payments to date	(214,187)	(179,021)	(100,020)	(114)	-	-	(493,342)
Liability recognized	13,363	22,364	12,552	731	-	-	49,010
Liability in respect of prior years							84,141
Total liability included in the statement of financial position							**133,151**

	2017	2018	2019	2020	2021	2022	**Total**
Net							
Estimate of incurred claims costs:							
- At end of underwriting year	106,954	84,203	48,217	1,474	-	-	
- One year later	183,530	151,704	92,768	1,033	-	-	
- Two years later	191,546	156,533	96,171	845	-	-	
- Three years later	184,133	156,231	89,262	-	-	-	
- Four years later	179,926	152,566	-	-	-	-	
- Five years later	176,749	-	-	-	-	-	
Current estimate of incurred claims	176,749	152,566	89,262	845	-	-	419,422
Cumulative payments to date	(164,347)	(131,450)	(76,864)	(114)	-	-	(372,775)
Liability recognized	12,402	21,116	12,398	731	-	-	46,647
Liability in respect of prior years							77,946
Total liability included in the statement of financial position							**124,593**

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17. MOVEMENTS IN INSURANCE LIABILITIES AND ASSETS

(US$ '000)

2022	Gross	Reinsurance	Net
Claims			
Claims outstanding	153,518	21,022	132,496
Unreported losses	98,139	16,849	81,290
Total at beginning of year	251,657	37,871	213,786
Change in provision during the year	(82,076)	(20,848)	(`61,228)
Claims settled during the year	(36,430)	(8,465)	(27,965)
Balance at end of year	**133,151**	**8,558**	**124,593**
Unearned premium			
At beginning of year	4,121	646	3,475
Change in provision during the year	(3,442)	(645)	(2,797)
Balance at end of year	**679**	**1**	**678**
Accrued insurance premium			
At beginning of year	464	60	404
Movement during the year	(83)	(46)	(37)
Balance at end of year	**381**	**14**	**367**
Deferred policy acquisitions costs			
At beginning of year	327	(38)	365
Movement during the year	(341)	(1)	(340)
Balance at end of year	**(14)**	**(39)**	**25**

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**

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18. INSURANCE PAYABLES

(US$ '000)

	2022	2021
Due within 12 months	23,878	49,863
	23,878	**49,863**

19. OTHER LIABILITIES

(US$ '000)

	2022	2021
Provision for probable loss estimates in a subsidiary (note 34 (iii))	5,113	7,613
Non-reinsurance payables	-	6,990
Post-employment benefits (note 28)	4,855	5,436
Accrued expenses	5,226	6,719
Dividends payable	234	234
Reinsurance premiums accrued	1,219	1,219
Other	634	882
	17,281	**29,093**
Balances due:		
- Within 12 months	12,426	23,657
- After 12 months	4,855	5,436
	17,281	**29,093**

20. SHAREHOLDERS' EQUITY

i) Share capital:

a) Composition

(US$ '000)

	2022	2021
Authorised 500 million ordinary shares of US$ 1 each	500,000	500,000
Issued, Subscribed and Fully Paid-up 220 million (2021: 220 million) ordinary shares of US$ 1 each	220,000	220,000

The company's shares are listed on Bahrain Bourse.

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20. SHAREHOLDERS' EQUITY (Continued)

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) 2022	No. of shares (in millions) 2021	% of total outstanding shares 2022	% of total outstanding shares 2021	% of total issued shares 2022	% of total issued shares 2021
Central Bank of Libya	Libya	31.8	31.8	16.0	16.0	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) 2022	No. of shares (in millions) 2021	No. of shareholders 2022	No. of shareholders 2021	% of total outstanding shares 2022	% of total outstanding shares 2021
Less than 1%	45.0	42.5	4,248	4,282	22.7%	21.5%
1% to 5%	10.6	13.1	3	4	5.4%	6.6%
5% to 10%	11.0	11.0	1	1	5.6%	5.6%
10% and above	131.5	131.5	5	5	66.3%	66.3%

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20. SHAREHOLDERS' EQUITY (Continued)

ii) Treasury stock:

The Company held 21,885,118 of its own shares at 31 December 2022 (2021: 21,885,118 shares) which are carried at cost of US$ 14,793,000 (2021: US$ 14,793,000).

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)

	2022	2021
At 1 January	12,815	17,066
Share of comprehensive income	(39)	349
Subsidiary's capital reduction - non controlling interest	-	(4,600)
At 31 December	**12,776**	**12,815**

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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.

i) Analysis of revenue by primary business segment:

(US$ '000)

	Non-life						Life		Total
2022	Property	Engineering	Marine	Accident	Whole account	Others	Short term	Long term	
REVENUES:									
Gross premiums written	232	49	(165)	(24)	920	264	(5)	61	1,332
Outward reinsurance premiums	(463)	(1,091)	7	(1)	(1,111)	-	(17)	(61)	(2,737)
Change in unearned premiums - gross	-	327	-	79	1,822	1,124	-	155	3,507
Change in unearned premiums - reinsurance	-	(7)	-	-	(796)	-	-	-	(803)
Earned premiums	(231)	(722)	(158)	54	835	1,388	(22)	155	1,299
Investment income attributable to insurance funds	110	12	17	27	8	67	76	37	354
	(121)	(710)	(141)	81	843	1,455	54	192	1,653
COSTS AND EXPENSES:									
Gross claims paid	(2,739)	(4,631)	(1,551)	(337)	(24,597)	(2,052)	(513)	(10)	(36,430)
Claims recovered from reinsurers	75	496	223	16	7,529	126	-	-	8,465
Change in provision for outstanding claims - gross	6,396	5,570	2,783	582	10,423	2,021	2,490	228	30,493
Change in provision for outstanding claims - reinsurance	(302)	(628)	(378)	(87)	(2,562)	10	(1)	(1)	(3,949)
Change in provision for unreported losses - gross	2,720	5,509	788	1,572	16,186	1,645	560	(429)	28,551
Change in provision for unreported losses - reinsurance	(44)	(310)	(64)	(26)	(4,436)	(144)	-	-	(5,024)
Claims and related expenses	6,106	6,006	1,801	1,720	2,543	1,606	2,536	(212)	22,106
Policy acquisition costs	261	83	(59)	51	(322)	67	140	3	224
Policy acquisition costs recovered from reinsurers	3	61	17	2	17	-	-	-	100
Change in deferred policy acquisition costs - gross	-	(70)	-	(19)	-	-	-	(1)	(90)
Change in deferred policy acquisition costs - reinsurance	-	1	-	-	-	-	-	-	1
Policy acquisition costs	264	75	(42)	34	(305)	67	140	2	235
Operating expenses	(1,439)	(1,052)	(723)	(505)	(154)	(982)	(509)	(196)	(5,560)
Underwriting result	**4,810**	**4,319**	**895**	**1,330**	**2,927**	**2,146**	**2,221**	**(214)**	**18,434**

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22. SEGMENT INFORMATION (Continued)

i) Analysis of revenue by primary business segment:

(US$ '000)

	Non-life						Life		Total
2021	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.

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22. SEGMENT INFORMATION (Continued)

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

(US$ '000)

	2022		2021	
	Premium	Non-current assets	Premium	Non-current assets
from:				
- Middle East	314	22,966	(2,827)	21,918
- Africa	-	2,599	-	2,123
- Asia	-	1,844	-	1,506
- Others	1,018	13,282	(642)	16,946
	1,332	**40,691**	**(3,469)**	**42,493**

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

iii) Analysis of segment assets and liabilities:

(US$ '000)

	Non-Life						Life			
2022	Property	Engineering	Marine	Accident	Whole	Others	Short term	Long term	Corporate	Total
Reinsurance assets	8,204	7,789	9,445	2,947	8,790	4,659	332	782	-	42,948
Cash	14,968	13,839	7,186	5,921	1,144	11,236	5,436	10,915	144,496	215,141
Investments	12,214	11,187	5,640	4,634	7,965	9,273	4,529	9,098	110,557	175,097
Others	-	-	-	-	-	-	-	-	19,167	19,167
	35,386	32,815	22,271	13,502	17,899	25,168	10,297	20,795	274,220	452,353
Reinsurance liabilities	34,136	31,658	21,667	13,005	4,589	24,231	9,837	19,876	-	158,999
Others	-	-	-	-	-	-	-	-	15,990	15,990
	34,136	**31,658**	**21,667**	**13,005**	**4,589**	**24,231**	**9,837**	**19,876**	**15,990**	**174,989**

(US$ '000)

	Non-Life						Life			
2021	Property	Engineering	Marine	Accident	Whole	Others	Short term	Long term	Corporate	Total
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**

FOR THE YEAR ENDED 31 DECEMBER 2022

23. INVESTMENT INCOME

(US$ '000)

2022	Insurance funds	Shareholders' funds	Total
Interest income			
Investments designated at fair value through profit or loss	223	475	698
- Others	2,627	5,989	8,616
Realised gains on available for sale	531	1,245	1,776
Loss on fair value measurement of investments at fair value through profit or loss			
- Held for trading investments	-	-	-
- Investments designated at fair value through profit or loss	(1,598)	(3,469)	(5,067)
Impairment loss-available for sale			
Debt Securities	(758)	(1,617)	(2,375)
- Other	(125)	(279)	(404)
Income from associates	-	64	64
Other	(546)	(1,185)	(1,731)
	354	**1,223**	**1,577**

(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**

FOR THE YEAR ENDED 31 DECEMBER 2022

24. OPERATING EXPENSES

(US$ '000)

2022	Underwriting	Non-Underwriting	Total
Salaries and benefits	3,143	2,205	5,348
General and administration	2,417	1,237	3,654
	5,560	**3,442**	**9,002**

(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**

25. OTHER INCOME

(US$ '000)

	2022	2021
Third party administration services	172	356
Reversal of provisions	5,205	2,200
Other	1,397	911
	6,774	**3,467**

26. OTHER EXPENSES AND PROVISIONS

(US$ '000)

	2022	2021
Foreign exchange loss	1,212	2,772
Write back investment property impairment and depreciation	(132)	-
Provision for doubtful receivables & deposits (Write back)	53	(24)
Other, net	1,942	1,216
	3,075	**3,964**

FOR THE YEAR ENDED 31 DECEMBER 2022

27. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		2022	2021
Weighted average number of shares Outstanding	'000	198,115	198,115
Net profit	US$'000	19,632	24,065
Earnings per share	US cents	9.9	12.1

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:

	2022	2021
Discount rate	5.5%	3.2%
Expected return on assets	5.5%	3.2%
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)

	2022	2021
Balance at 1 January	5,436	6,652
Accruals for the year	534	425
Payments during the year	(1,115)	(1,641)
Balance at 31 December	**4,855**	**5,436**

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.

FOR THE YEAR ENDED 31 DECEMBER 2022

29. FORWARD FOREIGN EXCHANGE CONTRACTS (Continued)

i) Forward foreign exchange contracts – by currency:

(US$ '000)

	2022		2021	
	Notional amount purchases	Notional amount sales	Notional amount purchases	Notional amount sales
Euro	-	-	-	14,292
Pound Sterling	-	-	-	3,810
	-	**-**	**-**	**18,102**

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)

	2022		2021	
	Purchases	Sales	Purchases	Sales
Unrealised gains	-	-	-	304
Unrealised losses	-	-	-	-
	-	**-**	**-**	**304**

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

(US$ '000)

	2022	2021
Profit for the year	19,914	24,411
Change in insurance funds	(89,082)	(113,666)
Change in insurance receivable/payable, net	(3,921)	12,790
Change in accrued income	(1,298)	6,638
Change in other assets/liabilities, net	50,397	(11,423)
Net cash used in operating activities	**(23,990)**	**(81,250)**

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31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIIVTIES

(US$ '000)

	Dividends	Non-controlling interest
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**
Share of comprehensive income	-	(39)
Balances at 31 December 2022	**234**	**12,776**

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32. FAIR VALUE DISCLOSURE

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

US$ '000

2022	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	-	215,141	-	-	-	215,141	215,141
Investments	-	-	-	174,557	-	174,557	174,557
Accrued income	-	3,446	-	-	-	3,446	3,446
Insurance receivables	-	7,077	-	-	-	7,077	7,077
Insurance deposits	-	19,159	-	-	-	19,159	19,159
Other assets	-	8,001	-	-	-	8,001	8,001
LIABILITIES							
Insurance payables	-	-	-	-	23,878	23,878	23,878
Other liabilities	-	-	-	-	6,942	6,942	6,942

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

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 (Continued)

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.

FOR THE YEAR ENDED 31 DECEMBER 2022

32. FAIR VALUE DISCLOSURE (Continued)

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:

(US$ '000)

2022	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Designated at fair value on initial recognition				
Debt securities	-	-	-	-
Available for sale				
Debt securities	67,009	94,066	-	161,075
Common stock of unlisted companies	-	-	2,794	2,794
Other	-	-	10,688	10,688
Forward foreign exchange contracts	-	-	-	-
	67,009	**94,066**	**13,482**	**174,557**

(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**

FOR THE YEAR ENDED 31 DECEMBER 2022

32. FAIR VALUE DISCLOSURE (Continued)

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 2022	3,205	14,111	17,316
Gain recognised in:			
- Other comprehensive income	(115)	(1,339)	(1,454)
Investments made during the year	33	156	189
Investments redeemed during the year	(329)	(2,240)	(2,569)
Balance at 31 December 2022	**2,794**	**10,688**	**13,482**

	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**

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 2022, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2021: nil) . 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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2022

33. TEMPORARY EXEMPTION FROM IFRS 9 DISCLOSURE

2022

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.	161,075	(10,095)
ii) All other financial assets that are not solely payment of principal and interest.	51,164	(5,364)
	212,239	**(15,459)**

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

(US$ '000)

	Book value	Fair value
Supra-nationals and OECD country governments	27,005	27,005
Other investment grade	96,709	96,709
Other	37,361	37,361
	161,075	**161,075**

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**

FOR THE YEAR ENDED 31 DECEMBER 2022

34. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and Associates:

At 31 December 2022, 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 2021. The Company holds 49% of the equity share in its associate company Arima Insurance software W.L.L.

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)

	2022	2021
Non-controlling interests	46%	46%
Total assets	37,411	39,417
Total liabilities	9,637	11,558
Net Assets	**27,774**	**27,859**
Revenue	(23)	109
Profit for the year	613	753
Total comprehensive income	(85)	758
Comprehensive income attributable to non-controlling interests	(39)	349
Net cash used in operating activities	(1,380)	(1,972)
Net cash (used in) provided by investing activities	(5,305)	3,664
Net cash used in financing activities	-	(10,000)
Net decrease in cash and cash equivalents	**(6,685)**	**(8,308)**

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$ 5.1 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.

FOR THE YEAR ENDED 31 DECEMBER 2022

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.

The following is the summary of transactions with related parties:

i) Associate companies:

(US$ '000)

	2022	2021
a) Service fees for administration services provided by associate	388	447
b) Balances outstanding		
Payables	84	198

ii) Compensation to directors and key management personnel:

(US$ '000)

	2022	2021
a) Directors		
- Remuneration proposed / paid	740	500
- Attendance fees	297	267
- Travel expenses	125	4
b) Key management compensation		
- Salaries and other short-term employee benefits	347	347
- Post-employment benefits	120	49
- Others	15	15
c) Balances payable to key		
Management	355	566

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 2022 and 2021 for any outstanding amounts due from related parties.

FOR THE YEAR ENDED 31 DECEMBER 2022

36. PARENT COMPANY

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

(US$ '000)

	Note	2022	2021
ASSETS			
Cash and bank balances		201,272	37,354
Investments		167,954	371,574
Accrued income		3,331	2,047
Insurance receivables		7,105	10,071
Insurance deposits		19,049	21,348
Deferred policy acquisition costs		25	111
Reinsurers' share of technical provisions		8,531	10,559
Other assets		29,302	47,266
Investment in subsidiaries and associates		15,538	15,569
Property and equipment		5,222	6,817
TOTAL ASSETS		**457,329**	**522,716**
LIABILITIES			
Technical provisions		132,386	184,518
Insurance payables		23,691	27,694
Other liabilities		36,664	44,361
TOTAL LIABILITIES		**192,741**	**256,573**
SHAREHOLDERS' EQUITY	20		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		40,872	54,988
Retained earnings		18,509	5,948
TOTAL SHAREHOLDER'S EQUITY		264,588	266,143
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**457,329**	**522,716**

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 2023:

	(US$ '000)
Cash dividend of US$ 0.05 per share of US$ 1 each	11,000
Directors' remuneration	740

Consolidated financial statements for the year ended 31 December 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

(US$ '000)

	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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2021

(US$ '000)

	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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

(US$ '000)

	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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

(US$ '000)

	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

	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.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

(US$ '000)

	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.

FOR THE YEAR ENDED 31 DECEMBER 2021

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 13 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.

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 AND EQUIPMENT

Property and 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:

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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 judgement 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.

FOR THE YEAR ENDED 31 DECEMBER 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 judgement 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).

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

4. MANAGEMENT OF INSURANCE RISKS (Continued)

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**
2020			
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)

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

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)

FOR THE YEAR ENDED 31 DECEMBER 2021

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:

(US$ '000)

	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.

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**

FOR THE YEAR ENDED 31 DECEMBER 2021

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**

FOR THE YEAR ENDED 31 DECEMBER 2021

6. INVESTMENTS (Continued)

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			
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%

FOR THE YEAR ENDED 31 DECEMBER 2021

6. INVESTMENTS (Continued)

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**
2020				
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**

FOR THE YEAR ENDED 31 DECEMBER 2021

6. INVESTMENTS (Continued)

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)

FOR THE YEAR ENDED 31 DECEMBER 2021

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**

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**

FOR THE YEAR ENDED 31 DECEMBER 2021

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**

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**

FOR THE YEAR ENDED 31 DECEMBER 2021

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**

(US$ '000)

	2021	2020
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.

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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 US$ 4.622 million (2020: US$ 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**

FOR THE YEAR ENDED 31 DECEMBER 2021

14. PROPERTY AND EQUIPMENT (Continued)

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 or 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.

FOR THE YEAR ENDED 31 DECEMBER 2021

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 recognised	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 recognised	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**

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17. MOVEMENTS IN INSURANCE LIABILITIES AND ASSETS

(US$ ’000)

2021	Gross	Reinsurance	Net
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**

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**

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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.

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20. SHAREHOLDERS' EQUITY (Continued)

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 and 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	5.5%	5.6%
10% and above	131.5	131.5	5	5	66.4%	66.4%

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20. SHAREHOLDERS' EQUITY (Continued)

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).

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**

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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.

i) Analysis of revenue by primary business segment

(US$ '000)

	Non-life						Life		Total
2021	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.

FOR THE YEAR ENDED 31 DECEMBER 2021

22. SEGMENT INFORMATION (Continued)

i) Analysis of revenue by primary business segment

(US$ '000)

	Non-life						Life		
2020	Property	Engineering	Marine	Accident	Whole account	Others	Short term	Long term	Total
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.

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22. SEGMENT INFORMATION (Continued)

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)

	Non-life						Life			
2021	Property	Engineering	Marine	Accident	Whole	Others	Short term	Long term	Corporate	Total
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**
2020										
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**

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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**

2020			
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**

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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**

2020			
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 and deposits	(24)	90
Run-off expenses	-	851
Other, net	1,216	1,321
	3,964	**2,790**

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

29. FORWARD FOREIGN EXCHANGE CONTRACTS (Continued)

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)**

FOR THE YEAR ENDED 31 DECEMBER 2021

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(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**

FOR THE YEAR ENDED 31 DECEMBER 2021

32. FAIR VALUE DISCLOSURE

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

(US$ '000)

	Book value						Fair value
2021	At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
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

2020							
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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

32. FAIR VALUE DISCLOSURE (Continued)

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:

FOR THE YEAR ENDED 31 DECEMBER 2021

32. FAIR VALUE DISCLOSURE (Continued)

(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**

FOR THE YEAR ENDED 31 DECEMBER 2021

32. FAIR VALUE DISCLOSURE (Continued)

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**

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 and 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 judgements 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.

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.

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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**

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**

FOR THE YEAR ENDED 31 DECEMBER 2021

34. PRINCIPAL SUBSIDIARIES AND 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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2021

36. PARENT COMPANY

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

(US$ ’000)

	Note	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

THE ATTACHED SUPPLEMENTARY DISCLOSURE DOES NOT FORM PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY DISCLOSURE TO THE CONSOLIDATED 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 and disinfection of premises, sanitizers, masks and gloves, depreciation, software license, etc	85
	85
CAPITAL EXPENDITURE	
Cost of laptops and printers	2
	2

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.

Consolidated financial statements for the year ended 31 December 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

(US$ '000)

	Note	2020	2019
ASSETS			
Cash and bank balances	5	100,500	81,261
Investments	6	454,603	545,214
Accrued income	8	8,786	71,358
Insurance receivables	9	72,732	117,872
Insurance deposits	10	20,917	22,505
Deferred policy acquisition costs	17	4,749	17,915
Reinsurers' share of technical provisions	11	74,368	130,675
Other assets	12	37,349	30,329
Investment property	13	4,622	-
Property and equipment	14	12,006	18,712
TOTAL ASSETS		**790,632**	**1,035,841**
LIABILITIES AND EQUITY			
LIABILITIES			
Technical provisions	15	408,869	633,769
Insurance payables	18	80,664	90,726
Borrowings	19	-	7,000
Other liabilities	20	38,672	58,021
TOTAL LIABILITIES		528,205	789,516
EQUITY			
Attributable to shareholders of parent company	21		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		56,296	51,705
Accumulated losses		(16,142)	(28,539)
		245,361	228,373
Non-controlling interests	22	17,066	17,952
TOTAL EQUITY		262,427	246,325
TOTAL LIABILITIES AND EQUITY		**790,632**	**1,035,841**

These consolidated financial statements were approved by the Board of Directors on 18 February 2021 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

(US$ '000)

	Note		2020	2019
Gross premiums written	23		(17,295)	194,614
Outward reinsurance premiums	23		3,027	(52,136)
Change in unearned premiums	23		82,722	31,091
Net earned premiums	23		68,454	173,569
Claims and related expenses	23		(31,609)	(107,794)
Policy acquisition costs	23		(19,225)	(49,849)
Investment income attributable to insurance funds	24		2,824	17,683
Operating expenses	25		(7,685)	(11,070)
Underwriting result	23		**12,759**	**22,539**
Investment income attributable to shareholders' funds	24		2,124	8,612
Operating expenses - non underwriting activities	25		(5,597)	(5,404)
Borrowing cost			(112)	(253)
Other income	26		6,283	1,318
Other expenses and provisions	27		(2,790)	(8,384)
Profit for the year			**12,667**	**18,428**
Attributable to:				
Non-controlling interests			(891)	902
Shareholders of parent company			13,558	17,526
			12,667	**18,428**
Earnings per share attributable to shareholders (basic and diluted):	28	(US Cents)	6.8	8.9

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

(US$ '000)

	Note	2020	2019
Profit for the year		12,667	18,428
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Changes on fair value of available for sale investments		4,632	16,630
Transfers for recognition of gains on disposal of available for sale investments	24	(3,462)	(3,421)
Transfers for impairment loss recognised on available for sale investments	24	1,681	1,314
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property	14	646	-
Other comprehensive income for the year		3,497	14,523
Total comprehensive income for the year		**16,164**	**32,951**
Attributable to:			
Non-controlling interests		(824)	948
Shareholders of parent company		16,988	32,003
		16,164	**32,951**

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.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

(US$ ’000)

	Share capital	Treasury stock	Reserves				Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (audited)
			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 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 (note 14)	-	-	-	-	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 (note 35)	-	-	-	-	-	-	-	-	(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 (note 37)	220,000	(14,793)	37,788	13,741	4,561	56,090	(15,936)	245,361	-	245,361

	Share capital	Treasury stock	Reserves				Accumulated losses	Attributable to shareholders of parent company	Non-controlling interests	Total equity (audited)
			Legal	Investment revaluation	Property revaluation	Total				
Balances at 31 December 2018	**220,000**	**(14,793)**	**34,816**	**(3,451)**	**4,305**	**35,670**	**(44,507)**	**196,370**	**28,504**	**224,874**
Net profit for the year	-	-	-	-	-	-	17,526	17,526	902	18,428
Changes on fair value of available for sale investments	-	-	-	16,525	-	16,525	-	16,525	105	16,630
Transfers for recognition of gains on disposal of available for sale investments	-	-	-	(3,269)	-	(3,269)	-	(3,269)	(152)	(3,421)
Transfers for impairment loss recognised on available for sale investments	-	-	-	1,221	-	1,221	-	1,221	93	1,314
Total comprehensive income for the year	-	-	-	14,477	-	14,477	17,526	32,003	948	32,951
Transfer of net depreciation on revalued property	-	-	-	-	(195)	(195)	195	-	-	-
Transfer to (from) non-distributable reserves	-	-	1,753	-	-	1,753	(1,753)	-	-	-
Subsidiary’s capital reduction	-	-	-	-	-	-	-	-	(11,500)	(11,500)
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**
Parent company balances at 31 December 2019 (note 37)	220,000	(14,793)	36,432	11,033	4,110	51,575	(28,409)	228,373	-	228,373

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

(US$ '000)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		97,323	192,493
Reinsurance premiums paid		(17,477)	(35,484)
Claims and acquisition costs paid		(226,798)	(238,096)
Reinsurance receipts in respect of claims		98,801	63,440
Investment income		4,710	9,478
Interest received		2,286	3,271
Dividends received		56	1,044
Operating expenses paid		(12,761)	(21,505)
Other (expenses) income, net		(5,967)	4,091
Insurance deposits received (paid), net		1,455	4,354
Purchase of trading investments		(667)	(5,363)
Sale of trading investments		20,529	15,698
Net cash used in operating activities	31	(38,510)	(6,579)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity/sale of investments		154,855	102,163
Purchase of investments		(90,950)	(143,022)
Term deposits with bank		(22,698)	(8,339)
Interest received		9,428	9,062
Investment income		2,255	1,662
Collateralised cash deposits		(8,457)	13,986
Purchase of property and equipment		(30)	(2)
Purchase of intangible assets		-	(82)
Sale of subsidiary	35	318	-
Net cash provided by (used in) investing activities		44,721	(24,572)
CASH FLOWS FROM FINANCING ACTIVITIES	32		
Borrowings		(7,000)	-
Borrowing cost		(187)	(279)
Dividends paid		(2,418)	(51)
Subsidiary's capital reduction - minority interests		-	(11,500)
Net cash used in financing activities		(9,605)	(11,830)
Net decrease in cash and cash equivalents		(3,394)	(42,981)
Effect of exchange rates on cash and cash equivalents		(65)	(32)
Cash and cash equivalents, beginning of year		66,895	109,908
Cash and cash equivalents, end of year	5	**63,436**	**66,895**
Term deposits with bank		37,064	14,366
Cash and bank balances, end of year	5	**100,500**	**81,261**

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

FOR THE YEAR ENDED 31 DECEMBER 2020

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 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 2020. However; these have no impact on the consolidated financial statements. The Group has not adopted any new or revised IFRS in 2020.

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.

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 Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Group has received benefits from these Packages in the form of reimbursement of salaries of Bahraini employees and waiver of Electricity and Water charges for the months of April, May and June 2020 which are recorded as other income (refer to note 26).

The following standards and interpretations have been issued but are applicable for periods subsequent to the year ended 31 December 2020:

- 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 34.

- 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

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 is assessing the impact of IFRS 17 on its consolidated financial statements.

The Group did not early-adopt new or amended standards in 2020.

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 2020 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 35. 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.

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 33).

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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 AND EQUIPMENT

Property and 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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 number of defined benefit plans 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.

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.

FOR THE YEAR ENDED 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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).

FOR THE YEAR ENDED 31 DECEMBER 2020

3. ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

FOR THE YEAR ENDED 31 DECEMBER 2020

4. MANAGEMENT OF INSURANCE RISKS (Continued)

Credit risks relating to reinsurance arrangements are analysed as follows:

(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**
2019			
Balance relating to reinsurers:			
- With investment grade rating	11,808	49,683	61,491
- Other	2,272	3,304	5,576
	14,080	**52,987**	**67,067**

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)

2020	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
Reinsurance assets (liabilities), net	(1,490)	(1,379)	(4,943)	(12,969)	(21,989)
2019					
Reinsurance assets (liabilities), net	(411)	(2,822)	(7,122)	(15,624)	(25,458)

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.

v) Sensitivity analysis

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

(US$ '000)

	2020	2019
5% increase in loss ratio	(3,423)	(8,678)
5% decrease in loss ratio	3,423	8,678
10% increase in US Dollar exchange rate	7,062	8,060
10% decrease in US Dollar exchange rate	(8,632)	(9,851)

FOR THE YEAR ENDED 31 DECEMBER 2020

5. CASH AND BANK BALANCES

(US$ ’000)

	2020	2019
Cash and bank balances	63,436	47,895
Deposits with maturity within 3 months	-	19,000
Cash and cash equivalents	63,436	66,895
Deposits with maturity over 3 months	37,064	14,366
	100,500	**81,261**

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:

	2020	2019
Interest receivable basis:		
- Bank balances	Daily/Monthly	Daily/Monthly
- Deposits with short term maturities	On maturity	On maturity
Effective rates	0.01% - 3.60%	0.01% - 4.00%

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

iii) Currency risk:

(US$ ’000)

	2020	2019
U.S. Dollar	82,879	52,206
Pound Sterling	9,631	20,069
Bahraini Dinar	6,694	7,821
Euro	574	673
Other	722	492
	100,500	**81,261**

FOR THE YEAR ENDED 31 DECEMBER 2020

6. INVESTMENTS

(US$ '000)

	2020	2019
At fair value through profit or loss		
Held for trading		
Common stock of listed companies	18,567	46,593
	18,567	46,593
Designated at fair value on initial recognition		
Debt securities		
- Investment grade	104,297	101,041
- Other	13,909	11,175
	118,206	112,216
Held to maturity		
Debt securities		
- Supra-nationals and OECD country governments	-	500
- Investment grade	3,952	3,928
- Other	3,969	3,955
	7,921	8,383
Available for sale		
Debt securities		
- Supra-nationals and OECD country governments	10,044	43,133
- Investment grade	185,507	240,235
- Other	90,914	65,908
Common stock of listed companies	3,103	5,743
Common stock of unlisted companies	3,349	4,653
Other equity type investment	16,236	17,868
	309,153	377,540
Loans and receivables	265	-
Investment in associates	491	482
	454,603	**545,214**

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6. INVESTMENTS (Continued)

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

(US$ '000)

	2020	2019
At 1 January	1,492	1,143
Impairment recognised during the year	-	349
At 31 December	**1,492**	**1,492**

Debt securities amounting to US$ 53.5 million (2019: US$ 100.1 million) have been pledged as security for reinsurance trust agreements, letters of credit, guarantees and borrowings.

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

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%

2019			
Supra-nationals and OECD country government securities	Monthly/Semi-annual/ Annual	1.500% - 2.625%	1.500% - 2.625%
Investment grade debt securities	Monthly/Semi-annual/ Annual	0.100% - 7.125%	0.100% - 7.125%
Other debt securities	Monthly/Semi-annual/ Annual	2.788% - 5.500%	2.788% - 5.500%

FOR THE YEAR ENDED 31 DECEMBER 2020

6. INVESTMENTS (Continued)

iii) Debt securities - currency risk

(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**
2019				
Supra-nationals and OECD country government securities	43,633	-	-	43,633
Investment grade debt securities	345,182	-	22	345,204
Other debt securities	76,783	4,255	-	81,038
	465,598	**4,255**	**22**	**469,875**

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)

	2020		2019	
	Principal amount	Book value	Principal amount	Book value
Supra-nationals and OECD country government securities:				
- Due in one year or less	10,000	10,044	8,500	8,513
- One to five years	-	-	35,000	35,120
	10,000	10,044	43,500	43,633
Debt securities of investment grade issuers:				
- Due in one year or less	36,659	33,980	40,486	38,869
- One to five years	183,719	190,930	254,963	259,233
- More than five years	63,020	68,846	43,356	47,102
	283,398	293,756	338,805	345,204
Other debt securities:				
- Due in one year or less	11,944	11,226	16,944	16,012
- One to five years	35,316	35,907	27,184	27,221
- More than five years	3,112	61,659	7,644	37,805
	50,372	108,792	51,772	81,038
	343,770	**412,592**	**434,077**	**469,875**

FOR THE YEAR ENDED 31 DECEMBER 2020

6. INVESTMENTS (Continued)

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)

	2020	2019
U.S. Dollar	5,262	22,364
Euro	-	1,942
Saudi Riyal	-	7,203
Pound Sterling	18,567	12,092
Japanese Yen	-	1,120
Other	1,190	12,268
	25,019	**56,989**

vi) Commitments

The Group has commitments in respect of uncalled capital in available for sale investments amounting to US$ 6.7 million (2019: US$ 7.3 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)

	2020		2019	
	Income	Equity	Income	Equity
Interest rate				
+ 100 basis points shift in yield curves-debt instruments	(2,574)	(7,103)	(2,463)	(6,637)
– 100 basis points shift in yield curves-debt instruments	2,610	5,301	3,570	7,552
Currency risk				
10% increase in US Dollar exchange rate	(8,864)	-	(9,290)	-
10% decrease in US Dollar exchange rate	10,833	-	11,067	-
Equity price				
10% increase in equity prices	1,857	310	4,659	574
10% decrease in equity prices	(1,857)	(310)	(4,659)	(574)

FOR THE YEAR ENDED 31 DECEMBER 2020

8. ACCRUED INCOME

(US$ '000)

	2020	2019
Accrued insurance premiums		
Expected to be received:		
- Within 12 months	5,754	50,963
- After 12 months	1,012	17,853
	6,766	68,816
Accrued interest		
- Expected to be received within 12 months	2,020	2,542
	8,786	**71,358**

9. INSURANCE RECEIVABLES

(US$ '000)

	2020	2019
Balances due:		
- Within 12 months	72,638	117,749
- After 12 months	94	123
	72,732	**117,872**

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

(US$ '000)

	2020	2019
At 1 January	16,578	15,015
Additional provision for impairment	92	1,576
Impaired receivables written-off	-	(13)
31 December	**16,670**	**16,578**

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

(US$ '000)

	2020	2019
Over two years	3,340	3,340
	3,340	**3,340**

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

(US$ '000)

	2020	2019
Upto 6 months	654	2,174
6 to 12 months	1,435	7,741
	2,089	**9,915**

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10. INSURANCE DEPOSITS

		(US$ '000)
	2020	2019
Balances due:		
- Within 12 months	12,408	14,616
- After 12 months	8,509	7,889
	20,917	**22,505**

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

		(US$ '000)
	2020	2019
At 1 January	1,978	2,735
(Write back) provision for impairment	(2)	(663)
Impaired deposits written - back	-	(94)
31 December	**1,976**	**1,978**

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

		(US$ '000)
	2020	2019
Under ten years	-	-
Over ten years	168	168
	168	**168**

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

		(US$ '000)
	2020	2019
Upto 1 year	1,196	4,169
1 to 3 years	14,104	14,113
3 to 5 years	207	1,479
	15,507	**19,761**

FOR THE YEAR ENDED 31 DECEMBER 2020

11. REINSURERS' SHARE OF TECHNICAL PROVISIONS

(US$ '000)

	2020	2019
General insurance business		
- Claims outstanding	35,858	52,974
- Unreported claims	33,020	40,680
- Deferred retrocession premium reserve	5,467	36,987
	74,345	130,641
Life insurance business		
- Claims outstanding	16	13
- Unreported claims	7	21
	23	34
	74,368	**130,675**

12. OTHER ASSETS

(US$ '000)

	2020	2019
Intangible assets:		
- Computer software	10,165	10,165
	10,165	10,165
Less: Accumulated amortization	(9,627)	(9,601)
	538	564
Other assets		
- Collateralised cash deposits	25,401	17,556
- Other receivables	10,947	11,605
- Prepayments	463	604
	36,811	29,765
	37,349	**30,329**

(US$ '000)

	2020	2019
Movement in intangible assets:		
Net book value at 1 January	564	513
- Additions	-	82
- Amortization charge	(26)	(31)
- Disposals	-	-
Net book value at 31 December	**538**	**564**

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

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13. INVESTMENT PROPERTY

		(US$ '000)
	2020	2019
Carrying value at 1 January	-	-
Transferred from property and equipment	5,150	-
Impairment	(378)	-
Depreciation	(150)	-
Carrying value at year-end	**4,622**	**-**

During the year, 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 by an independent RICS registered valuer as at December 2020. The carrying value of investment property approximates its fair value as at 31 December 2020 and fair value measurement has been categorised as Level 3.

14. PROPERTY AND EQUIPMENT

		(US$ '000)
	2020	2019
Land	2,080	2,080
Building	11,565	18,718
Furniture and fixtures	6,921	6,932
Hardware	2,412	2,400
Office equipments	981	982
Others	397	495
	24,356	**31,607**
Less: Accumulated depreciation and impairment		
Building	(2,106)	(2,613)
Furniture and fixtures	(6,904)	(6,911)
Hardware	(2,397)	(2,381)
Office equipments	(608)	(583)
Others	(335)	(407)
	(12,350)	(12,895)
	12,006	**18,712**
Movements in property and equipment:		
Net book value at 1 January	18,712	19,245
- Reclassified to investment property	(5,150)	-
- Revaluation of Property	(1,169)	-
- Additions	140	167
- Disposals	(59)	-
- Depreciation charge	(468)	(700)
Net book value at 31 December	**12,006**	**18,712**

FOR THE YEAR ENDED 31 DECEMBER 2020

14. PROPERTY AND EQUIPMENT (Continued)

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.

The head office property was revalued at year end by independent external valuer and classified as level 2 in the fair value measurement hierarchy as it has been valued using indicative transaction prices for similar properties and adjusted to reflect the characteristics of the property. Based on open market valuation, the fair value of land determined at US$ 2,080,000 similar to the carrying amount. The carrying amount of the land would have been US$ 1,972,000 had the asset been carried under the cost model. The fair value of the building has been determined at US$ 4,925,000 as against a carrying value of US$ 4,279,000. The increase in fair value of US$ 646,000 has been adjusted to property revaluation reserve.

TRL building was revalued as at December 2019 by an independent RICS valuer after the Group's year-end financial statements were approved. The diminution in value of the property by US$ 1.4 million was accounted during the current year and charged to profit or loss. Subsequently, sub-let portion of the office premises with a net value of US$ 5.15 million was transferred to investment property as detailed in Note 13. TRL Building has also been revalued as at December 2020 by an independent RICS valuer and accordingly a further impairment of US$ 401,000 has been charged to profit or loss.

15. TECHNICAL PROVISIONS

(US$ '000)

	2020	2019
General insurance business		
- Claims outstanding	200,511	256,067
- Unreported losses	146,760	195,560
- Unearned premiums	27,112	140,334
	374,383	591,961
Life insurance business		
- Claims outstanding	12,404	15,389
- Unreported losses	21,766	24,280
- Unearned premiums	316	2,139
	34,486	41,808
	408,869	**633,769**

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

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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						
	2015	2016	2017	2018	2019	2020	**Total**
Gross							
Estimate of incurred claims costs:							
- At end of underwriting year	101,570	74,463	127,688	98,051	55,541	63,649	
- One year later	175,247	136,341	233,862	198,985	154,881	-	
- Two years later	173,063	185,919	250,680	224,557	-	-	
- Three years later	169,839	175,042	192,455	-	-	-	
- Four years later	165,838	129,569	-	-	-	-	
- Five years later	166,066	-	-	-	-	-	
Current estimate of incurred claims	166,066	129,569	192,455	224,557	154,881	63,649	931,177
Cumulative payments to date	(148,910)	(111,851)	(163,330)	(181,986)	(96,366)	(15,902)	(718,345)
Liability recognised	17,156	17,718	29,125	42,571	58,515	47,747	212,832
Liability in respect of prior years							168,609
Total liability included in the statement of financial position							**381,441**

Net							
Estimate of incurred claims costs:							
- At end of underwriting year	98,169	66,195	106,954	84,203	48,217	44,524	
- One year later	165,317	124,902	183,530	151,704	109,933	-	
- Two years later	164,880	161,481	191,546	174,114	-	-	
- Three years later	161,298	156,331	172,558	-	-	-	
- Four years later	159,082	120,485	-	-	-	-	
- Five years later	158,218	-	-	-	-	-	
Current estimate of incurred claims	158,218	120,485	172,558	174,114	109,933	44,524	779,832
Cumulative payments to date	(141,549)	(104,156)	(145,322)	(136,291)	(67,355)	(14,649)	(609,322)
Liability recognised	16,669	16,329	27,236	37,823	42,578	29,875	170,510
Liability in respect of prior years							142,030
Total liability included in the statement of financial position							**312,540**

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17. MOVEMENTS IN INSURANCE LIABILITIES AND ASSETS

(US$ '000)

2020	Gross	Reinsurance	Net
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**

2019			
Claims			
Claims outstanding	278,259	44,916	233,343
Unreported losses	234,857	32,420	202,437
Total at beginning of year	513,116	77,336	435,780
Change in provision during the year	194,997	53,739	141,258
Claims settled during the year	(216,817)	(37,387)	(179,430)
Balance at end of year	**491,296**	**93,688**	**397,608**
Unearned premium			
At beginning of year	171,453	33,293	138,160
Change in provision during the year	(28,980)	3,694	(32,674)
Balance at end of year	**142,473**	**36,987**	**105,486**
Accrued insurance premium			
At beginning of year	96,924	12,597	84,327
Movement during the year	(9,045)	6,466	(15,511)
Balance at end of year	**87,879**	**19,063**	**68,816**
Deferred policy acquisitions costs			
At beginning of year	27,016	1,583	25,433
Movement during the year	(8,602)	(1,084)	(7,518)
Balance at end of year	**18,414**	**499**	**17,915**

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18. INSURANCE PAYABLES

(US$ '000)

	2020	2019
Due within 12 months	80,664	90,726
	80,664	**90,726**

19. BORROWINGS

(US$ '000)

	2020	2019
Balances due:		
- Within 12 months	-	7,000
	-	**7,000**

Borrowings has been fully repaid in August 2020.

20. OTHER LIABILITIES

(US$ '000)

	2020	2019
Provision for probable loss estimates in a subsidiary (note 35 (iii))	13,462	21,462
Non-reinsurance payables	10,029	16,018
Post-employment benefits (note 29)	6,652	7,210
Accrued expenses	5,872	5,894
Dividends payable	321	2,739
Reinsurance premiums accrued	1,189	1,986
Employee long-term incentives	-	681
Other	1,147	2,031
	38,672	**58,021**
Balances due:		
- Within 12 months	32,020	50,130
- After 12 months	6,652	7,891
	38,672	**58,021**

Dividends payable excludes US$ 2.4 million transferred to Bahrain Clear in compliance with the terms of Bahrain Bourse (BHB) Board resolution 3 of 2020 dated 27 April 2020.

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21. SHAREHOLDERS' EQUITY

i) Share capital

a) Composition

(US$ '000)

	2020	2019
Authorised 500 million ordinary shares of US$ 1 each	500,000	500,000
Issued, Subscribed and Fully Paid-up 220 million (2019: 220 million) ordinary shares of US$ 1 each	220,000	220,000

During 2020 the Company's shares were listed on Bahrain Bourse and Dubai Financial Market (DFM). Following the approval of CBB, the Company is in the process of delisting from DFM.

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	
		2020	2019	**2020**	2019	**2020**	2019
Central Bank of Libya	Libya	31.8	31.8	16.1	16.1	14.4	14.4
Emirates Investment Authority	UAE	30.5	30.5	15.4	15.4	13.8	13.8
General Pension and 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	
	2020	2019	**2020**	2019	**2020**	2019
Less than 1%	40.8	42.4	4,384	4,415	20.6%	21.4%
1% to 5%	14.7	13.1	4	4	7.4%	6.6%
5% to 10%	11.0	11.0	2	1	5.6%	5.6%
10% and above	131.5	131.5	5	5	66.4%	66.4%

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21. SHAREHOLDERS' EQUITY (Continued)

ii) Treasury stock

The Company held 21,967,818 of its own shares at 31 December 2020 (2019: 21,967,818 shares) which are carried at cost of US$ 14,793,000 (2019: US$ 14,793,000).

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.

22. NON-CONTROLLING INTERESTS

(US$ '000)

	2020	2019
At 1 January	17,952	28,504
Share of comprehensive income	(824)	948
Sale of subsidiary – minority interests	(62)	-
Subsidiary's capital reduction - minority interests	-	(11,500)
At 31 December	**17,066**	**17,952**

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23. 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.

i) Analysis of revenue by primary business segment

(US$ '000)

	Non-life						Life		Total
2020	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)
Net 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.

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23. SEGMENT INFORMATION (Continued)

i) Analysis of revenue by primary business segment

(US$ '000)

	Non-life						Life		Total
2019	Property	Engineering	Marine	Accident	Whole account*	Others	Short term	Long term	
REVENUES									
Gross premiums written	17,139	9,870	6,129	3,278	137,251	13,872	6,512	563	194,614
Outward reinsurance premiums	(4,115)	(1,901)	(237)	(69)	(45,650)	(58)	(96)	(10)	(52,136)
Change in unearned premiums - gross	11,954	8,478	3,172	2,269	(12,412)	4,143	6,986	(91)	24,499
Change in unearned premiums - reinsurance	(1,236)	(1,326)	(510)	(126)	9,843	(53)	-	-	6,592
Net earned premiums	23,742	15,121	8,554	5,352	89,032	17,904	13,402	462	173,569
Investment income attributable to insurance funds	7,721	459	1,245	1,192	285	2,205	3,647	929	17,683
	31,463	15,580	9,799	6,544	89,317	20,109	17,049	1,391	191,252
COSTS AND EXPENSES									
Gross claims paid	(33,010)	(12,719)	(9,254)	(4,617)	(116,278)	(26,244)	(14,488)	(207)	(216,817)
Claims recovered from reinsurers	2,058	1,167	781	438	32,875	64	-	4	37,387
Change in provision for outstanding claims - gross	13,004	4,345	1,337	3,054	5,658	4,010	(1,541)	(177)	29,690
Change in provision for outstanding claims - reinsurance	29	(752)	(314)	(239)	2,813	(2)	(1)	-	1,534
Change in provision for unreported losses - gross	7,384	(2,605)	1,429	1,961	19,637	6,015	2,448	1,243	37,512
Change in provision for unreported losses - reinsurance	(560)	245	(63)	(409)	2,627	1,068	(8)	-	2,900
Claims and related expenses	(11,095)	(10,319)	(6,084)	188	(52,668)	(15,089)	(13,590)	863	(107,794)
Policy acquisition costs	(5,518)	(2,419)	(1,839)	(1,007)	(32,527)	(1,166)	278	222	(43,976)
Policy acquisition costs recovered from reinsurers	152	229	99	75	30	(9)	-	-	576
Change in deferred policy acquisition costs - gross	(3,094)	(2,565)	(908)	(700)	(78)	254	(441)	1	(7,531)
Change in deferred policy acquisition costs - reinsurance	348	479	175	48	20	12	-	-	1,082
Policy acquisition costs	(8,112)	(4,276)	(2,473)	(1,584)	(32,555)	(909)	(163)	223	(49,849)
Operating expenses	(3,349)	(1,766)	(1,092)	(704)	(74)	(1,995)	(1,813)	(277)	(11,070)
Underwriting result	**8,907**	**(781)**	**150**	**4,444**	**4,020**	**2,116**	**1,483**	**2,200**	**22,539**

*Whole account includes gross premiums amounting to US$ 133.9 million resulting from underwriting business in Lloyds, where the Company resolved to cease new business underwriting effective from 1 January 2020.

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23. SEGMENT INFORMATION (Continued)

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

(US$ '000)

	2020		2019	
	Premium	Non-current assets	Premium	Non-current assets
from:				
- Middle East	(6,538)	22,815	34,793	30,576
- Africa	-	2,533	15,155	4,964
- Asia	-	1,798	10,756	3,523
- Others	(10,757)	19,220	133,910	28,600
	(17,295)	**46,366**	**194,614**	**67,663**

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

iii) Analysis of segment assets and liabilities

(US$ '000)

	Non-life						Life			
2020	Property	Engineering	Marine	Accident	Whole	Others	Short term	Long term	Corporate	Total
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**
2019										
Reinsurance assets	27,654	19,370	16,089	2,127	266,507	51,354	2,042	14	-	385,157
Cash	8,471	4,848	2,690	2,901	17,928	3,062	2,786	1,123	37,452	81,261
Investments	105,897	67,245	33,041	23,674	50,637	40,850	38,332	15,775	169,763	545,214
Others	-	-	-	-	-	-	-	-	24,209	24,209
	142,022	91,463	51,820	28,702	335,072	95,266	43,160	16,912	231,424	1,035,841
Reinsurance liabilities	112,742	71,763	42,784	24,259	364,084	83,543	31,978	12,263	-	743,416
Others	-	-	-	-	-	-	-	-	46,100	46,100
	112,742	**71,763**	**42,784**	**24,259**	**364,084**	**83,543**	**31,978**	**12,263**	**46,100**	**789,516**

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24. INVESTMENT INCOME

(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**

2019			
Interest income			
- Investments designated at fair value through profit or loss	970	429	1,399
- Others	7,178	4,040	11,218
Dividends	724	320	1,044
Realised gains on available for sale	2,143	1,278	3,421
Gain on fair value measurement of investments at fair value through profit or loss			
- Held for trading investments	7,526	3,337	10,863
- Investments designated at fair value through profit or loss	1,366	563	1,929
Impairment loss-available for sale			
- Debt securities	(205)	(144)	(349)
- Other	(565)	(400)	(965)
Income from associates	-	40	40
Other	(1,454)	(851)	(2,305)
	17,683	**8,612**	**26,295**

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25. OPERATING EXPENSES

(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**
2019			
Salaries and benefits	6,494	3,173	9,667
General and administration	4,576	2,231	6,807
	11,070	**5,404**	**16,474**

26. OTHER INCOME

(US$ '000)

	2020	2019
Foreign exchange gain	1,474	-
Government support scheme (COVID-19)	441	-
Third party administration services	844	699
Reversal of provisions	2,998	-
Other	526	619
	6,283	**1,318**

27. OTHER EXPENSES AND PROVISIONS

(US$ '000)

	2020	2019
Foreign exchange loss	-	883
Investment property impairment and depreciation	528	-
Provision for doubtful receivables and deposits	90	1,057
Run-off expenses	851	-
Other, net	1,321	6,444
	2,790	**8,384**

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28. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		2020	2019
Weighted average number of shares outstanding	’000	198,032	198,032
Net profit	US$’000	13,558	17,526
Earnings per share	US cents	6.8	8.9

29. 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:

	2020	2019
Discount rate	3.5%	4.0%
Expected return on assets	3.5%	4.0%
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)

	2020	2019
Balance at 1 January	7,210	12,606
Accruals for the year	754	902
Payments during the year	(1,312)	(6,298)
Balance at 31 December	**6,652**	**7,210**

30. 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.

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30. FORWARD FOREIGN EXCHANGE CONTRACTS (Continued)

i) Forward foreign exchange contracts – by currency

(US$ '000)

	2020		2019	
	Notional amount purchases	Notional amount sales	Notional amount purchases	Notional amount sales
Euro	-	14,460	-	12,803
Pound Sterling	-	2,793	-	3,276
Japanese Yen	-	-	-	1,022
Others	-	-	-	2,047
	-	**17,253**	**-**	**19,148**

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)

	2020		2019	
	Purchases	Sales	Purchases	Sales
Unrealised gains	-	-	-	-
Unrealised losses	-	(604)	-	(301)
	-	**(604)**	**-**	**(301)**

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

(US$ '000)

	2020	2019
Profit for the year	12,667	18,428
Change in insurance funds	(153,839)	(58,230)
Change in insurance receivable/payable, net	35,078	30,922
Change in accrued income	62,572	15,227
Change in other assets/liabilities, net	5,012	(12,926)
Net cash used in operating activities	**(38,510)**	**(6,579)**

FOR THE YEAR ENDED 31 DECEMBER 2020

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(US$ '000)

	Borrowings	Borrowings cost	Dividends	Non-controlling interest
Balances at 31 December 2018	7,000	101	2,790	28,504
Share of comprehensive income	-	-	-	948
Subsidiary's capital reduction	-	-	-	(11,500)
Interest paid during the year	-	(279)	-	-
Interest expense for the year	-	253	-	-
Dividends paid during the year	-	-	(51)	-
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**

FOR THE YEAR ENDED 31 DECEMBER 2020

33. FAIR VALUE DISCLOSURE

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

(US$ '000)

	Book value						Fair value
2020	At fair value through profit or loss	Loans and receivables	Held to maturity	Available for sale	Amortised cost	Total	
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
Borrowings	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	19,338	19,338	19,338

2019							
ASSETS							
Cash and bank balances	-	81,261	-	-	-	81,261	81,261
Investments	158,809	-	8,383	377,540	-	544,732	545,100
Accrued income	-	71,358	-	-	-	71,358	71,358
Insurance receivables	-	117,872	-	-	-	117,872	117,872
Insurance deposits	-	22,505	-	-	-	22,505	22,505
Other assets	-	29,161	-	-	-	29,161	29,161
LIABILITIES							
Insurance payables	-	-	-	-	90,726	90,726	90,726
Borrowings	-	-	-	-	7,000	7,000	7,000
Other liabilities	-	-	-	-	30,665	30,665	30,665

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.

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.

33. FAIR VALUE DISCLOSURE (Continued)

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:

FOR THE YEAR ENDED 31 DECEMBER 2020

33. FAIR VALUE DISCLOSURE (Continued)

(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**

(US$ '000)

2019	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Held for trading				
Common stock of listed companies	46,593	-	-	46,593
Designated at fair value on initial recognition				
Debt securities	112,216	-	-	112,216
Available for sale				
Debt securities	349,276	-	-	349,276
Common stock of listed companies	5,743	-	-	5,743
Common stock of unlisted companies	-	-	4,653	4,653
Other	-	-	17,868	17,868
Forward foreign exchange contracts	-	(301)	-	(301)
	513,828	**(301)**	**22,521**	**536,048**

33. FAIR VALUE DISCLOSURE (Continued)

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 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**

Balance at 1 January 2019	3,872	17,774	21,646
Gain recognised in:			
- Other comprehensive income	5	123	128
Investments made during the year	1,043	2,711	3,754
Investments redeemed during the year	(267)	(2,740)	(3,007)
Balance at 31 December 2019	**4,653**	**17,868**	**22,521**

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 and level 3 to change significantly on changing one or more of the 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. During the current year, due to changes in market conditions for certain investment securities, quoted prices for these securities were available only from less active markets at or closer to the measurement date. However, there was sufficient information available to measure the fair values of these securities based on observable market inputs. Therefore, these securities, with a carrying amount of US$ 225.8 million, were transferred from Level 1 to Level 2 of the fair value hierarchy (2019: nil). 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 capitalization rates, discount rates, leasing and other factors, the amount which will be realised 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.

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.

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34. TEMPORARY EXEMPTION FROM IFRS 9 DISCLOSURE

2020

a) Fair value and changes in fair value

	Fair value	(US$ '000) 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 34 (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**

2019

a) Fair value and changes in fair value

	Fair value	(US$ '000) Changes in fair value during the year
i) Financial assets having cash flows that are solely payment of principal and interest.	307,522	8,608
ii) All other financial assets that are not solely payment of principal and interest.	478,474	9,972
	785,996	**18,580**

b) Credit risk exposure relating to note 34 (a (i)) above

(US$ '000)

	Book value	Fair value
Supra-nationals and OECD country governments	43,633	43,636
Other investment grade	220,224	220,414
Other	43,296	43,472
	307,153	**307,522**

35. PRINCIPAL SUBSIDIARIES AND ASSOCIATES

i) Subsidiaries and Associates

At 31 December 2020, 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 2019. The Company holds 49% and 24% of the equity shares in its associate companies Arima Insurance software W.L.L. and Globemed Bahrain W.L.L., Bahrain respectively.

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. In January 2020, GWL sold its entire holding of 60% in its subsidiary Gulf Warranties Insurance Services, Saudi Arabia.

ii) Interest in Subsidiaries: Takaful Re Limited

(US$ '000)

	2020	2019
Non-controlling interests	46%	46%
Total assets	51,619	55,267
Total liabilities	14,517	16,369
Net Assets	**37,102**	**38,898**
Revenue	188	(32)
(Loss) profit for the year	(1,938)	2,223
Total comprehensive income	(1,796)	2,323
Comprehensive income attributable to non-controlling interests	(826)	1,069
Net cash used in operating activities	(1,513)	(3,202)
Net cash used in investing activities	(4,272)	(9,271)
Net cash used in financing activities	-	(25,000)
Net decrease in cash and cash equivalents	**(5,785)**	**(37,473)**

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$ 13.5 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.

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36. 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.

The following is the summary of transactions with related parties:

i) Associate companies

(US$ '000)

	2020	2019
a) Service fees for administration services provided by Arig	-	38
b) Service fees for administration services provided by associate	473	730
c) Balances outstanding		
- Payables	57	85

ii) Compensation to directors and key management personnel

(US$ '000)

	2020	2019
a) Directors		
- Attendance fees	145	181
- Travel expenses	23	187
b) Key management compensation		
- Salaries and other short-term employee benefits	592	674
- Post-employment benefits	131	74
- Employee long-term incentives	-	76
c) Balances payable to key management	517	520

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 2020 and 2019 for any outstanding amounts due from related parties.

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37. PARENT COMPANY

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

(US$ '000)

	Note	2020	2019
ASSETS			
Cash and bank balances		64,859	33,746
Investments		370,745	473,877
Accrued income		8,562	67,911
Insurance receivables		12,935	22,770
Insurance deposits		20,691	22,246
Deferred policy acquisition costs		947	7,743
Reinsurers' share of technical provisions		14,078	30,885
Other assets		86,122	91,894
Investment in subsidiaries and associates		20,526	21,488
Property and equipment		7,098	6,674
TOTAL ASSETS		**606,563**	**779,234**
LIABILITIES			
Technical provisions		284,021	462,021
Insurance payables		31,303	31,172
Borrowings		-	7,000
Other liabilities		45,878	50,668
TOTAL LIABILITIES		361,202	550,861
SHAREHOLDERS' EQUITY	21		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		56,090	51,575
Accumulated losses		(15,936)	(28,409)
TOTAL SHAREHOLDER'S EQUITY		245,361	228,373
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**606,563**	**779,234**

THE ATTACHED SUPPLEMENTARY DISCLOSURE DOES NOT FORM PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY DISCLOSURE TO THE CONSOLIDATED 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 Government of Kingdom of Bahrain has announced various economic stimulus programmes ("Packages") to support businesses in these challenging times. The Group has received benefits from these Packages in the form of reimbursement of salaries of Bahraini employees and waiver of Electricity and Water charges for the months of April, May and June 2020.

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.
- COVID-19 related claims mainly from the Lloyd's portfolio.
- 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 2020 as assessed by the Group is as below:

	(US$ '000)
	31 December 2020
FINANCIAL BENEFITS - GOVERNMENT SUPPORTS SCHEMES	
Staff salaries - Bahraini's	411
Electricity and water	30
	441
FINANCIAL COSTS	
Claims costs related to COVID-19	(3,512)
Sterilization and disinfection of premises, sanitizers, masks and gloves, depreciation, software license, etc	(79)
	(3,591)
NET DIRECT FINANCIAL IMPACT	**(3,150)**
CAPITAL EXPENDITURE	
Cost of laptops and printers	(43)
	(43)

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.