GIG

مجموعة الخليج للتأمين

GULF INSURANCE GROUP

KUWAIT TAKAFUL

2021

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GULF TAKAFUL INSURANCE COMPANY K.S.C. (CLOSED) AND ITS SUBSIDARY

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2021

Ernst & Young
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF TAKAFUL INSURANCE COMPANY K.S.C. (CLOSED)

Report on the Audit of Consolidated Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the State of Kuwait, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF TAKAFUL INSURANCE COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF TAKAFUL INSURANCE COMPANY K.S.C. (CLOSED) (continued)

Report on the Audit of Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that, we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No.1 of 2016, as amended, and its executive regulations, as amended, nor of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2021 that might have had a material effect on the business of the Parent Company or on its financial position.

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

29 May 2022
Kuwait

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Note	***2021 KD***	*2020 KD*
INCOME			
Investment income deposit		**20,954**	102,455
Unrealised loss on financial assets at fair value through profit or loss		**(30,378)**	(162,340)
Realised gain on sale of financial assets at fair value through profit or loss		**335,686**	-
Dividend income		**23,884**	70,146
Other income		**5,225**	6,119
		355,371	16,380
EXPENSES			
Staff costs		**137,102**	108,043
General and administrative expenses	3	**179,790**	109,461
		316,892	217,504
PROFIT (LOSS) FOR THE YEAR BEFORE PROVISIONS FOR CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS)		**38,479**	(201,124)
KFAS		**(1,318)**	-
PROFIT (LOSS) FOR THE YEAR		**37,161**	(201,124)

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	***2021*** ***KD***	*2020* *KD*
Profit (Loss) for the year		**37,161**	(201,124)
Other comprehensive loss:			
Items that will not be reclassified subsequently to consolidated statement of profit or loss in subsequent periods:			
Changes in fair value of financial assets at fair value through other comprehensive income	7	**-**	(96,453)
Other comprehensive loss for the year		**-**	(96,453)
TOTAL COMPERHENSIVE INCOME (LOSS) FOR THE YEAR		**37,161**	(297,577)

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	***2021 KD***	*2020 KD*
ASSETS			
Cash and bank balances	4	**71,977**	694,976
Investment deposits	5	**1,981,214**	1,799,499
Financial assets at fair value through profit or loss	6	**1,009,957**	1,825,455
Accounts receivable	8	**152,244**	136,521
Qard Hassan to Participants' fund	9	**8,628,972**	8,151,250
Amounts due from Participants' fund	9	**7,353,182**	6,277,745
Furniture and equipment		**83,335**	31,271
Right of use asset	10	**171,049**	-
Intangible assets		**8,632**	9,770
TOTAL ASSETS		**19,460,562**	18,926,487
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**10,000,000**	10,000,000
Statutory reserve	12 (a)	**36,687**	33,854
Voluntary reserve	12 (b)	**36,687**	33,854
Cumulative changes in fair values		**(64,711)**	(64,711)
Retained earnings (accumulated losses)		**21,349**	(10,146)
TOTAL EQUITY		**10,030,012**	9,992,851
LIABILITIES			
Accounts payable and accruals	13	**319,590**	265,004
Provision for employees end of service benefits	14	**310,658**	517,382
Lease liability	10	**171,330**	-
Amounts due to Participants' fund	9	**8,628,972**	8,151,250
TOTAL LIABILITIES		**9,430,550**	8,933,636
TOTAL EQUITY AND LIABILITIES		**19,460,562**	18,926,487

Mahmoud Abdelaziz Al Sanea
Chairman

Mubarak Othman Al Ayar
Chief Executive Officer

The attached notes 1 to 20 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2021

	Share capital KD	*Statutory reserve KD*	*Voluntary reserve KD*	*Cumulative changes in fair values KD*	*Retained earnings (accumulated losses) KD*	*Total KD*
Balance as at 1 January 2021	10,000,000	33,854	33,854	(64,711)	(10,146)	9,992,851
Total comprehensive income for the year	-	-	-	-	37,161	37,161
Transfer to reserves	-	2,833	2,833	-	(5,666)	-
Balance as at 31 December 2021	**10,000,000**	**36,687**	**36,687**	**(64,711)**	**21,349**	**10,030,012**
Balance as at 1 January 2020	10,000,000	33,854	33,854	31,742	190,978	10,290,428
Loss for the year	-	-	-	-	(201,124)	(201,124)
Other comprehensive loss for the year	-	-	-	(96,453)	-	(96,453)
Total comprehensive loss for the year	-	-	-	(96,453)	(201,124)	(297,577)
Balance as at 31 December 2020	10,000,000	33,854	33,854	(64,711)	(10,146)	9,992,851

The attached notes 1 to 19 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	*2021* *KD*	*2020* *KD*
OPERATING ACTIVITIES			
Profit (loss) for the year		**37,161**	(201,124)
Adjustments to reconcile profit (loss) for the year to net cash flows:			
Investment income deposit		**(20,954)**	(102,455)
Unrealized loss on financial assets at fair value through profit or loss		**30,378**	162,340
Realised gain on sale of financial assets at fair value through profit or loss		**(335,686)**	-
Dividend income		**(23,884)**	(70,146)
Interest expense on lease liability	10	**569**	-
Provision for employees end of service benefits	14	**53,974**	89,272
Depreciation and amortization		**21,294**	13,523
		(237,148)	(108,590)
Working capital adjustments:			
Accounts receivable		**(15,723)**	(87,542)
Amounts due from Participants' fund		**(1,075,437)**	(64,594)
Accounts payable and accruals		**54,586**	73,675
Employees end of service benefits paid	14	**(260,698)**	(28,611)
Net cash flows used in operating activities		**(1,534,420)**	(215,662)
INVESTING ACTIVITIES			
Purchase of furniture and equipment		**(64,783)**	(3,348)
Purchase of financial assets at fair value through profit or loss		**(565,646)**	-
Proceeds from sale of financial assets at fair value through profit or loss		**1,686,452**	-
Net movement in investment deposits		**(181,715)**	75,000
Investment income received		**20,954**	102,455
Dividend income received		**23,884**	70,146
Net cash flows from investing activities		**919,146**	244,253
FINANCING ACTIVITIES			
Payment of lease liability	10	**(7,725)**	-
Net cash flows used in financing activities		**(7,725)**	-
NET (DECREASE) INCREASE IN CASH AND BANK BALANCES		**(622,999)**	28,591
Cash and bank balances as at 1 January		**694,976**	666,385
CASH AND BANK BALANCES AS AT 31 DECEMBER		**71,977**	694,976

The attached notes 1 to 19 form part of these consolidated financial statements.

1 CORPORATE INFORMATION

Gulf Takaful Insurance Company K.S.C. (Closed) (the "Parent Company") is a Kuwaiti Closed Shareholding Company incorporated in Kuwait on 06 September 2004, under Commercial Companies Law No. 15 of 1960, as amended and registered with the Ministry of Commerce and Industry in accordance with the Insurance Companies and Agent's Law No. 24 of 1961, as amended under commercial register number 104519.

On 30 November 2020 Gulf Insurance and Reinsurance Company K.S.C (Closed) (the "acquirer" or "GIRC") acquired 65,619,762 shares in Gulf Takaful Insurance Company K.S.C. (Closed) (the "acquiree" or "GTIC") and the acquisition authorised on 1 January 2021. As a result, Gulf Takaful Insurance Company – K.S.C. (Closed) became a subsidiary of the GIRC.

The Parent Company is a subsidiary of Gulf Insurance and Reinsurance Company K.S.C (Closed), a closed Kuwaiti shareholding company registered under the Insurance Companies and Agents Law No. 24 of 1961 and its subsequent amendments. GIRC is 99.8% owned by Gulf Insurance Group K.S.C.P. (the "Ultimate Parent Company") which is listed on Boursa Kuwait.

The consolidated financial statements of the Parent Company and its subsidiary (together referred to as the "Group") were authorised for issuance by the Board of Directors on 26 May 2022.The Annual General Assembly of the Group's shareholders has the power to amend these consolidated financial statements after the issuance.

On 6 March 2005, the Group started its activities in accordance with takaful insurance principles (Co-operative insurance).

The Groups's objectives are set forth below, and its transactions are subject to compliance with Islamic Shari'a without prejudice to the relevant governing laws and resolutions:

- Carry out all types of health insurance and takaful re-insurance activities, related activities including health and medical insurance of all types especially the following:
  - Provide insurance on comprehensive medical services;
  - Provide insurance on the medical assistant services;
  - Provide insurance on ambulance and emergency services;
  - Provide insurance on hospital accommodation, care, and home medical services;
  - Provide insurance on conducting surgery operations, X-rays and other medical examinations;
  - Provide insurance on drug dispensing and all medial requirements.

- Provide life insurance and handle all insurance transactions related to life insurance suitable to achieve and facilitate its objectives;
- Provide insurance and reinsurance or get insurance against all or any risks and provide all types of reinsurance or insurance related business;
- Recruit agents, insurance representatives, and brokers or any other recruitments required for work progress with no prejudice to laws, ministerial resolutions, rules, and related conditions in order to enable the Parent Company to carry out its activities and objectives;
- Provide advisories and expertise as well as conduct technical studies, researches in health insurance industry with no prejudice to laws, ministerial resolutions, rules, and related conditions;
- Arrange, liaise , and sign agreements with governments, municipalities and official or local authorities in order to get rights, privileges, licenses and benefits that may enable the Group to carry out all or part of its objectives;
- Obtain shares in another company having similar objectives in whole or in part, dispose, transfer, or reissue them with or without guarantee or carry out any activity in the field of health insurance industry that directly benefits the Group;
- To exploit the financial surpluses available to the Group by investing them in financial portfolios managed by specialized companies and institutions;
- Owning real estate and moveable properties to conduct its operations within the limits as stipulated by law;
- Use any part of the Group's funds to purchase or cancel or depreciate or discharge any policy or contract or responsibility made by the Group;

1 CORPORATE INFORMATION (continued)

- Enter into an ordinary partnership or other arrangement to share in profits or mutual profits or cooperate in the health insurance industry or mutual privileges or others with any person or company that carry on or intends to carry on any activity or transaction authorized to be carried on by the Group, from which it may have a direct or indirect profit as well as guarantee contracts or persons or others with any person or companies having insurance-related business;

- Carry out all transactions and enter into contracts with all legal dispositions as it deems necessary and suitable to achieve and facilitate its objectives on the conditions it selects.

The Group shall carry on the above-mentioned business activities in the State of Kuwait and abroad in a principal capacity or through agency. The Group may have an interest or participate in any way with organizations that carry on similar business activities or that may help the Group achieve its objectives in Kuwait or abroad. The Group shall also have the right to establish, participate in, buy these entities, or make them its subsidiaries.

Takaful is an Islamic alternative to a conventional insurance and investment program, based on the mutual funds concept, where each Participant will receive his share in the surplus arising from the insurance activities, in accordance with the approval of Fatwa and Shari'a Supervisory Board.

The registered office of the Group is located at Sharq , Al Shuhada St, Al Ghawali Tower, P.O. Box 29279 Safat 13153, Kuwait.

2.1 BASIS OF PREPARATION

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

The Consolidated financial statements have been prepared on a historical cost basis, except for investment securities that have been measured at fair value.

The financial statements are presented in Kuwaiti Dinars ("KD") which is also the functional and presentation currency of the Parent Company.

2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiary as at 31 December 2021. Subsidiary is investee that the Parent has control over.

Name of the company	*Percentage of ownership*		Country of incorporation	Principal activity
	2021	2020		
Gulf Leading Real Estate K.S.C. (Closed)	**96%**	96%	Kuwait	Real Estate

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

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:
- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

2.2 BASIS OF CONSOLIDATION (continued)

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

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

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

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

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

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended accounting policies, standards and interpretations
The accounting policies adopted in the preparation of the consolidated financial statement are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform – Phase 2
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR).

The amendments include the following practical expedients:

A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest.

Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued

Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of risk component.

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

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Group's consolidated financial statements are listed below. The Group intends to adopt those standards when they become effective. However, the Group expects no significant impact from the adoption of the amendments on its financial position or performance.

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

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

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

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

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

The Group plans to adopt the new standard on the required effective date together with IFRS 9. However, as the management are still in the process of assessing the full impact of the application of IFRS 17 on the consolidated financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the management complete the detailed review.

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)
The following specific recognition criteria must also be met before revenue is recognised:

- Income from murabaha and wakala is recognised on a time proportion basis to achieve fixed rate of return on outstanding balances for these transactions.

- Dividend income is recognised when the Group's right to receive payment is established.

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

Zakat
The Group calculates the contribution to Zakat at 1% of the profit before KFAS, Director's remuneration in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged as expense in the consolidated statement of profit or loss.

Financial instruments

Financial assets and financial liabilities
Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets or issue of financial liabilities (other than on financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or issue financial liabilities at fair value through profit or loss are recognised immediately in consolidated statement of profit or loss.

Financial assets
All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and profit yield (SPPPY)' on the principal amount outstanding. This assessment is referred to as the SPPPY test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Classification of financial assets

Financial assets at amortised cost
Financial assets such as cash and bank balances, investment deposits, account receivables, amounts due from Participants' fund and that meet the following conditions are subsequently measured at amortised cost:

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Classification of financial assets (continued)
By default, all other financial assets are subsequently measured at FVTPL except for equity instruments when the Group may make an irrevocable election/designation at initial recognition.

Amortised cost and effective profit method
The effective profit method is a method of calculating the amortised cost of a debt instrument and of allocating profit over the relevant period.

For financial instruments at amortised cost, the effective profit rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective profit rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

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

Profit is recognised using the effective profit method for debt instruments measured subsequently at amortised cost. For financial instruments carried at amortised cost, profit is calculated by applying the effective profit rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit impaired. For financial assets that have subsequently become credit-impaired, profit is recognised by applying the effective profit rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, profit is recognised by applying the effective profit rate to the gross carrying amount of the financial asset. Profit is recognised in the consolidated statement of profit or loss bases on effective profit method.

Financial assets at fair value through other comprehensive income FVOCI
On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

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

Dividends on these investments in equity instruments are recognised in statement of profit or loss when the Group's right to receive the dividends is established.

Financial assets at fair value through profit or loss FVTPL
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and profit are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Account receivables
The subsequent measurement of accounts receivable will be at undiscounted original invoiced amount or the transaction price less any accumulated expected credit losses.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Murabaha investments
Murabaha investments represent deposits placed with Islamic financial institutions. Profit receivable is recognised as income on a time apportionment basis taking account of the profit rate attributable and the balance outstanding.

Due from a related party
Due from a related party account represent the current account with entities under common control. The due from a related party is receivable on demand and bear no interest.

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

Impairment of financial assets
The Group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. No impairment loss is recognised for equity instruments that are classified as financial assets at FVOCI. The amount of expected credit losses is updated at each reporting date.

The Group always recognises lifetime ECL for account receivables which generally do not have a significant financing component. Due from a related party that is profit free and receivable on demand, the Group expects no default on such amounts after reviewing and assessing the financial position of this party. Accordingly, the measurement of amounts due from related party under IFRS 9 does not have impact on the statement of profit or loss for the Group. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a account receivables.

Credit-impaired financial assets at amortised cost
A financial asset is credit-impaired when one or more events, constituting an event of default for internal credit risk management purposes as historical experience indicates, that have a detrimental impact on the estimated future cash flows of that financial asset have occurred that meet below criteria. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower;
- A breach of contract, such as a default or past due event;
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

Write-off of financial assets at amortised cost
The Group writes off a financial asset at amortised cost when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of profit or loss.

Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)
Financial assets (continued)

Impairment of financial assets (continued)
Measurement and recognition of expected credit losses (continued)
For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective profit rate.

The Group recognises an impairment loss in consolidated statement of profit or loss for all financial assets at amortised cost with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in statement of profit or loss.

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

Financial liabilities
All financial liabilities are subsequently measured at amortised cost using the effective profit method.

The Group's financial liabilities include account payables and accruals, lease liabilities and amount due from participants.

Subsequent measurement
The subsequent measurement of financial liabilities depends on their classification as described below:

Account payables and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment
Furniture and equipment is stated at cost less accumulated depreciation and any impairment in value. When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in consolidated statement of profit or loss.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the furniture and equipment as follows:

Furniture and office equipment	5-7 years
Vehicles	4 years
Computer	4 years

Expenditure incurred to replace a component of an item of furniture and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of furniture and equipment. All other expenditure is recognised in consolidated statement of profit or loss as the expense is incurred.

An item of furniture and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss when the asset is derecognised.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of furniture and equipment.

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGUs fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount by recognising impairment in the consolidated statement of loss in profit.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by other available fair value indicators.

Impairment losses of continuing operations are recognised in consolidated statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the assets' or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in consolidated statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 19.

Employees' end of service benefits
The Group provides end of service benefits to all its employees in accordance with Kuwait Labour Law. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Further, with respect to its national employees, the Group also makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Foreign currency translation
Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the financial position date. All differences are included within net gain/loss from foreign currencies in profit or loss for the year.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item.

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

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

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

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgments
In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed in the individual notes of the related financial statement line items.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Classification of financial assets

The Group determines the classification of financial assets based on the 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 SPPP on the principal amount outstanding.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are also described in the individual notes of the related financial statement line items below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Determination of ECL on account receivables and due from a related party

With respect to the account receivables and due from a related party, the Group has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses, as the simplified approach does not require the changes in credit risk to be tracked. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Group's economic environment. In certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's length market transactions.
- current fair value of another instrument that is substantially the same.
- earnings multiple.
- the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- other valuation models.

3 GENERAL AND ADMINSTRATIVE EXPENSES

	2021	*2020*
	KD	*KD*
Professional fees	**124,053**	72,662
Depreciation expense	**21,292**	13,535
Other expenses	**34,445**	23,264
	179,790	109,461

4 CASH AND BANK BALANCES

Cash and bank balances include the following:

	2021	*2020*
	KD	*KD*
Cash at banks	**71,977**	144,976
Short-term deposits	**-**	550,000
	71,977	694,976

5 INVESTMENT DEPOSITS

Investment deposits represent Murabaha investments amounting to KD 1,981,214 (2020: KD 1,799,499) placed with a local Islamic bank in Kuwait. These deposits are denominated in Kuwaiti Dinar with an effective profit rate 2.38% (2020: 2.6%) per annum. In accordance with Article No. 30 of Law No.125 of 2019, an amount of KD 1,981,214 as at 31 December 2021 (2020: KD 1,799,499) pledged in favour of Insurance Regulatory Unit (IRU) as security to underwrite non-life takaful insurance business and life takaful insurance as required by the IRU.

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021	*2020*
	KD	*KD*
Unquoted local securities	**238,684**	238,684
Unquoted foreign funds	**410,686**	1,586,771
Quoted local securities	**360,587**	-
	1,009,957	1,825,455

The hierarchy for determination and disclosure of the fair value of financial instruments by valuation techniques are presented in Note 19.

7 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2021	*2020*
	KD	*KD*
Unquoted foreign equity securities	**-**	96,453
Impairment recognised during the year	**-**	(96,453)
	-	-

During the year ended 31 December 2020, the Group has identified an impairment on unquoted foreign equity securities amounting to KD 96,453 which is recognised in the consolidated statement of profit or loss.

8 ACCOUNTS RECEIVABLE

	2021	*2020*
	KD	*KD*
Accrued income	**13,310**	42,144
Refundable deposits	**23,045**	10,567
Staff receivables	**109,039**	83,612
Other receivables	**6,850**	198
	152,244	136,521

9 QARD HASSAN TO PARTICIPANTS' FUND

According to the Group's Articles of Association, the net deficit from takaful business is covered by the Group's shareholders in the form of profit free loan 'Qard Hassan'. The 'Qard Hassan' given by shareholders against the losses in the Participants' fund will be settled from the surplus that is expected to result from the Participants' fund in the future years, at the discretion of the Group's directors.

The movement in the Qard Hassan balance as at year end is as follows:

	2021	*2020*
	KD	*KD*
As at 1 January	**8,151,250**	5,875,664
Participants' deficit absorbed by Qard Hassan (Note 15)	**477,722**	2,275,586
As at 31 December	**8,628,972**	8,151,250

The movement in amounts due from Participants as at 31 December are analysed as follows:

	2021	*2020*
	KD	*KD*
Due from Participants		
As at 1 January	**6,277,745**	6,213,151
Other movement in funds advanced to policyholders	**1,075,437**	64,594
As at 31 December	**7,353,182**	6,277,745

10 RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group leases premises through which it operates. The Group's lease payments are fixed over the lease terms and are therefore not sensitive to uplifts due to variable lease payments.

Setout below are the carrying amounts of right of use assets and the corresponding lease liabilities recognised and the movements during the year:

	2021	*2020*
	KD	*KD*
Right of use asset		
Recognised during the year	**178,486**	-
Depreciation expense	**(7,437)**	-
	171,049	-

	2021	*2020*
	KD	*KD*
Lease liability		
Recognised during the year	**178,486**	-
Interest expense on lease liability	**569**	-
Payment	**(7,725)**	-
	171,330	-

11 SHARE CAPITAL

The Group's share capital is as follows:

	2021	*2020*
	KD	*KD*
Authorised, issued and paid-up share capital		
100,000,000 shares of 100 fils each fully paid in cash	**10,000,000**	10,000,000

12 RESERVES

a) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year before tax and after extinguishment of the prior years accumulated losses brought forward, shall be transferred to the statutory reserve. The annual general assembly of the Parent Company may resolve to discontinue such transfer when the reserve exceeds 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

b) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a maximum of 10% of the profit for the year, before tax and after extinguishment of the prior years accumulated losses brought forward, is required to be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' general assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

13 ACCOUNTS PAYABLE AND ACCRUALS

	2021 ***KD***	*2020* *KD*
Trade payables	**37,191**	13,351
Leave provision	**76,781**	124,363
Other payables	**205,618**	127,290
	319,590	265,004

14 PROVISION FOR EMPLOYEES END OF SERVICE BENEFITS

	2021 ***KD***	*2020* *KD*
At 1 January	**517,382**	456,721
Charged during the year	**53,974**	89,272
Payments during the year	**(260,698)**	(28,611)
At 31 December	**310,658**	517,382

15 PARTICIPANTS' TAKAFUL OPERATIONS

The significant accounting policies used in accounting for the insurance business are set out below. Policies used in accounting for other accounts and transactions are the same as those adopted by the Parent Company. The accounting policies are consistent with these used in the previous year.

Gross premiums written

Gross premiums written represent the premiums collected on policies. Premiums are taken into income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in the provision for unearned premiums is taken to the Participants' results in order that revenue is recognised over the period of risk.

Policy issuance fees

Policy issuance fees is recognized at the time of recognition of the related premiums.

Reinsurance commissions earned and paid

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

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

Reinsurance contracts held
In order to minimise financial exposure from large claims, the Parent Company enters into agreements with other parties for reinsurance purposes. Claims receivable from reinsurers are estimated in a manner consistent with the claim liability and in accordance with the reinsurance contract. These amounts are shown as "reinsurers" share of outstanding claims" in the "assets and liabilities" until the claim is paid by the Parent Company. Once the claim is paid the amount due from the reinsurers in connection with the paid claim is transferred to "premiums receivables".

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

Ceded reinsurance arrangements do not relieve the Parent Company from its obligations to Participants.

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

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

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

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

The Parent Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. In addition, a provision based on management's judgement and the Group's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account of that year.

Deferred policy acquisition costs (DAC)
Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of the future premiums. All other acquisition costs are recognised as an expense when incurred.

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

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

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

Unearned premium reserve (UPR)
The reserve for unearned premium includes premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

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

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

Life mathematical reserve (LMR)
The reserve for the life takaful business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Group's actuaries. The management did not record life mathematical reserve as all life policies written not exceeding one year.

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

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

Non-life insurance contract liabilities
For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The ultimate cost of outstanding claims is estimated by the Parent Company's loss adjustments.

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

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

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

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

The Participants' result by line of business and assets and liabilities were as follows:

2021	*Marine* *KD*	*General accidents* *KD*	*Motor vehicles* *KD*	*Medical* *KD*	*Sub total* *KD*	*Group life* *KD*	*Total* *KD*
Revenues							
Gross premiums written	**16,208**	**1,518,658**	**1,817,029**	**1,353,791**	**4,705,686**	**339,135**	**5,044,821**
Less: premiums ceded to reinsurers	**(14,272)**	**(1,232,100)**	**(250,216)**	**-**	**(1,496,588)**	**(246,061)**	**(1,742,649)**
Net premiums written	**1,936**	**286,558**	**1,566,813**	**1,353,791**	**3,209,098**	**93,074**	**3,302,172**
Net movement in unearned premiums reserve	**1,227**	**35,789**	**603,745**	**(198,880)**	**441,881**	**(2,230)**	**439,651**
Net premiums earned	**3,163**	**322,347**	**2,170,558**	**1,154,911**	**3,650,979**	**90,844**	**3,741,823**
Reinsurance commission earned	**2,864**	**126,580**	**14,057**	**-**	**143,501**	**-**	**143,501**
Other income	**2,794**	**186,331**	**169,602**	**164,852**	**523,579**	**37,775**	**561,354**
Policy issuance fees	**86**	**2,402**	**13,721**	**3,070**	**19,279**	**9,962**	**29,241**
Total revenues	**8,907**	**637,660**	**2,367,938**	**1,322,833**	**4,337,338**	**138,581**	**4,475,919**
Expenses							
Claims paid	**(159,661)**	**(50,231)**	**(2,282,386)**	**(1,031,976)**	**(3,524,254)**	**(145,836)**	**(3,670,090)**
Less: claims ceded to reinsurers	**134,073**	**24,120**	**-**	**-**	**158,193**	**131,252**	**289,445**
Net claims paid	**(25,588)**	**(26,111)**	**(2,282,386)**	**(1,031,976)**	**(3,366,061)**	**(14,584)**	**(3,380,645)**
Movement in life mathematical reserve	**-**	**-**	**-**	**-**	**-**	**(1,500)**	**(1,500)**
Movement in outstanding claims reserve including IBNR	**-**	**52,180**	**(13,941)**	**(95,009)**	**(56,770)**	**(3,766)**	**(60,536)**
Total claims incurred	**(25,588)**	**26,069**	**(2,296,327)**	**(1,126,985)**	**(3,422,831)**	**(19,850)**	**(3,442,681)**
Reinsurance commission paid	**(1,227)**	**(106,504)**	**(222,690)**	**(119,854)**	**(450,275)**	**(56,364)**	**(506,639)**
Other expenses	**(448)**	**(11,099)**	**(78,181)**	**(47,322)**	**(137,050)**	**(6,386)**	**(143,436)**
Investment expenses	**(6)**	**(845)**	**(4,619)**	**(3,991)**	**(9,461)**	**(274)**	**(9,735)**
Total expenses	**(27,269)**	**(92,379)**	**(2,601,817)**	**(1,298,152)**	**(4,019,617)**	**(82,874)**	**(4,102,491)**
(Deficit) Surplus from insurance operations	**(18,362)**	**545,281**	**(233,879)**	**24,681**	**317,721**	**55,707**	**373,428**
Allocation of general and administrative expenses	**(499)**	**(73,862)**	**(403,853)**	**(348,946)**	**(827,160)**	**(23,990)**	**(851,150)**
Net (deficit) surplus from insurance operations	**(18,861)**	**471,419**	**(637,732)**	**(324,265)**	**(509,439)**	**31,717**	**(477,722)**

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

The Participants' result by line of business and assets and liabilities were as follows (continued):

2020	*Marine* *KD*	*General accidents* *KD*	*Motor vehicles* *KD*	*Medical* *KD*	*Sub total* *KD*	*Group life* *KD*	*Total* *KD*
Revenues							
Gross premiums written	37,647	675,723	2,883,044	856,589	4,453,003	267,783	4,720,786
Less: premiums ceded to reinsurers	(30,803)	(299,693)	(180,746)	-	(511,242)	(185,085)	(696,327)
Net premiums written	6,844	376,030	2,702,298	856,589	3,941,761	82,698	4,024,459
Net movement in unearned premiums reserve	879	(46,352)	(590,942)	6,365	(630,050)	61	(629,989)
Net premiums earned	7,723	329,678	2,111,356	862,954	3,311,711	82,759	3,394,470
Reinsurance commission earned	2,436	59,812	-	-	62,248	-	62,248
Policy issuance fees	108	10,788	47,907	503	59,306	(893)	58,413
Total revenues	10,267	400,278	2,159,263	863,457	3,433,265	81,866	3,515,131
Expenses							
Claims paid	(992)	(117,970)	(1,195,549)	(857,394)	(2,171,905)	(131,778)	(2,303,683)
Less: claims ceded to reinsurers	859	48,370	-	-	49,229	118,285	167,514
Net claims paid	(133)	(69,600)	(1,195,549)	(857,394)	(2,122,676)	(13,493)	(2,136,169)
Movement in life mathematical reserve	-	-	-	-	-	3,039	3,039
Movement in outstanding claims reserve including IBNR	50	(34,232)	(346,077)	(238,980)	(619,239)	(6,458)	(625,697)
Total claims incurred	(83)	(103,832)	(1,541,626)	(1,096,374)	(2,741,915)	(16,912)	(2,758,827)
Reinsurance commission paid	(1,786)	(179,014)	(771,441)	(133,809)	(1,086,050)	(27,263)	(1,113,313)
Other expenses	(8,449)	(143,003)	(616,755)	(293,648)	(1,061,855)	(32,846)	(1,094,701)
Total expenses	(10,318)	(425,849)	(2,929,822)	(1,523,831)	(4,889,820)	(77,021)	(4,966,841)
(Deficit) surplus from insurance operations	(51)	(25,571)	(770,559)	(660,374)	(1,456,555)	4,845	(1,451,710)
Allocation of general and administrative expenses	(1,401)	(76,978)	(553,208)	(175,359)	(806,946)	(16,930)	(823,876)
Net (deficit) surplus from insurance operations	(1,452)	(102,549)	(1,323,767)	(835,733)	(2,263,501)	(12,085)	(2,275,586)

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

Participants' fund assets and liabilities

	Notes	***2021 KD***	*2020 KD*
ASSETS			
Cash and bank balances		**84,611**	116,579
Investment deposits		**103,358**	-
Financial assets at fair value through profit or loss (FVTPL)		**180,442**	-
Premium receivables (net)		**1,859,868**	705,107
Amounts due from insurance and reinsurance companies (net)		**775,642**	1,680,631
Reinsurance recoverable on outstanding claims	15.1	**829,079**	1,030,944
Other receivables (a)		**353,381**	339,158
Due from shareholders		**8,628,972**	8,151,250
TOTAL ASSETS		**12,815,353**	12,023,669
LIABILITIES			
Amounts due to reinsurance companies		**1,000,979**	522,277
Amounts retained from reinsurance		**129,630**	86,393
Unearned premiums reserve	15.1	**1,142,878**	1,582,529
Outstanding claims reserve	15.1	**1,766,865**	1,731,415
Life takaful mathematical reserve	15.1	**15,000**	13,500
Reserve for claims incurred but not reported	15.1	**223,221**	400,000
Premiums received in advance		**123,296**	161,581
Due to shareholders		**7,353,183**	6,277,745
Other liabilities (b)		**1,060,301**	1,248,229
TOTAL LIABILITIES		**12,815,353**	12,023,669
PARTICIPANT'S FUND			
Accumulated deficit from insurance operations		**(8,628,972)**	(8,151,250)
Qard Hassan from shareholders		**8,628,972**	8,151,250
Total Participant's fund		**-**	-
TOTAL LIABILITIES AND PARTICIPANTS' DEFICIT		**12,815,353**	12,023,669

a Other receivables

	2021 KD	*2020 KD*
Refundable deposits	**1,925**	4,200
Deferred commission	**351,456**	334,958
	353,381	339,158

b Other liabilities

	2021 KD	*2020 KD*
Insurance payables	**1,048,553**	1,148,708
Others	**11,748**	99,521
	1,060,301	1,248,229

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

15.1 INSURANCE CONTRACT LIABILITIES

	2021 *KD*	*2020* *KD*
Outstanding claims reserve:		
Balance at beginning of the year		
Outstanding claims reserve	**1,731,415**	1,177,809
Reinsurance share on outstanding claims and anticipated recovery	**(1,030,944)**	(758,035)
Balance at beginning of the year	**700,471**	419,774
Claims recorded during the year, net	**3,617,960**	2,416,866
Paid during the year, net	**(3,380,645)**	(2,136,169)
	937,786	700,471
Represented by:		
Outstanding claims reserve	**1,766,865**	1,731,415
Reinsurance share on outstanding claims and anticipated recovery	**(829,079)**	(1,030,944)
	937,786	700,471
Life mathematical reserve movement (LMR):		
Balance at beginning of the year	**13,500**	16,539
Movement in LMR	**1,500**	(3,039)
Balance at ending of the year	**15,000**	13,500
Reserve for claims incurred but not reported movement:		
Balance at beginning of the year	**400,000**	55,000
Movement in IBNR	**(176,779)**	345,000
Balance at ending of the year	**223,221**	400,000
Unearned premium reserve movement:		
Balance at beginning of the year	**1,582,529**	952,540
Net movement in unearned premium	**(439,651)**	629,989
Balance at ending of the year	**1,142,878**	1,582,529

15 PARTICIPANTS' TAKAFUL OPERATIONS (continued)

The Participants' financial statements meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments.

ACCUMULATED DEFICIT FROM INSURANCE OPERATIONS

	2021	*2020*
	KD	*KD*
As at 1 January	**(8,151,250)**	(5,875,664)
Net deficit from insurance operations for the year	**(477,722)**	(2,275,586)
As at 31 December	**(8,628,972)**	(8,151,250)

16 RELATED PARTY TRANSACTIONS

These represent transactions with related parties, in the ordinary course of business i.e. Parent Company, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

Transactions and balances with related parties included in the financial statements are as follows:

	Parent Company KD	***Entities under common control KD***	***2021 KD***	*2020 KD*
Shareholders				
Statement of profit or loss				
Unrealised (loss) gain on financial assets at fair value through profit or loss	-	-	-	(162,340)
Dividend income	-	-	-	70,146
Statement of financial position				
Financial assets at fair value through profit or loss	-	-	-	1,825,456
Policyholders				
Amounts due to reinsurance companies	281,752		**281,752**	-

Compensation of key management personnel

The remuneration of key management personnel of the Group during the year were as follows:

	2021	*2020*
	KD	*KD*
Short-term benefits	**117,850**	143,000
End of service benefits and short-term benefits	**16,171**	202,164
	134,021	345,164

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

17.1 Governance framework

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

The Group is responsible for monitoring the compliance of the Group with the risk management function with clear terms of reference from the Board of Directors and the associated executive management committees. This will supplement with a clear organisational structure with documented delegated authorities and responsibilities from the Board of Directors to executive management committees and senior managers.

17.2 Regulatory Framework

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

- For the life and capital insurance contracts issued in Kuwait, the full mathematical reserves are to be retained in Kuwait;
- For marine insurance contracts, 15% of the contributions collected in the previous year are to be retained in Kuwait; and
- For all other types of insurance, 30% of the contributions collected in the previous year are to be retained in Kuwait.

The funds retained in Kuwait should be invested as under:

- A minimum of 40% of the funds are to be in the form of cash deposits in a bank operating in Kuwait;
- A maximum of 25% could be invested in foreign securities (foreign government bonds or foreign securities bonds and shareholding companies);
- 30% should be invested in Kuwaiti companies' shares or bonds; and
- 15% should be in a current account with a bank operating in Kuwait.

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

The management is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the Board of Directors to ensure compliance.

17.3 Insurance risk

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

Frequency and amounts of claims

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

General accidents

For property insurance contracts, the main risks are fire and business interruption. The Company has only underwritten policies for properties containing fire detection equipment.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.3 Insurance risk (continued)

Motor vehicles
For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

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

Marine
For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Life and medical takaful
For life and medical takaful insurance, the main risk are claims for medical, death or permanent disability.

The reinsuring strategy for the life takaful line of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the terms of the policies with the insurer to cover the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

Reinsurance risk
In order to minimise financial exposure arising from large claims, the Company, in the normal course of business, enters into agreements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

Reinsurance ceded contracts do not relieve the Company from its obligations to Participants and as a result, the Company remains liable for the portion of outstanding claims reinsured to the extent that the reinsurer fails to meet the obligations under the reinsurance agreements.

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

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

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its Participants and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

Non-life takaful insurance contracts
The Company principally issues the following types of non-life takaful insurance contracts: marine-cargo, hull comprehensive and third party liability, fire, house-holders comprehensive, contractors all risks, erection all risks, machinery breakdown, electronic equipment, burglary, personal accident, cash in transit, fidelity guarantee, plate glass, workmen compensation, third party liability, professional indemnity, bankers blanket, travel assistance, motor comprehensive, and motor third party liability. Risks under non-life takaful insurance policies usually cover twelve-month duration.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.3 Insurance risk (continued)

For general takaful contracts the most significant risks arise from climate changes, natural disasters and terrorist activities. For healthcare contracts the most significant risks arise from lifestyle changes, epidemics and medical science and technology improvements.

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

The above risk exposure is mitigated by diversification across a large portfolio of takaful contracts. The variability of risks is improved by careful selection and implementation of underwriting

The management of the Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damages).

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum based on the Company's risk appetite as decided by management.

The table below sets out the concentration of non-life takaful contract liabilities by type of contract:

	2021			*2020*		
Type of contracts	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross Liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Marine	**25,148**	**(25,148)**	**-**	25,648	(25,648)	-
General accidents	**600,839**	**(518,549)**	**82,290**	888,284	(753,814)	134,470
Motor vehicles	**548,019**	**-**	**548,019**	534,077	-	534,077
Medical	**498,989**	**-**	**498,989**	403,980	-	403,980
	1,672,995	**(543,697)**	**1,129,298**	1,851,989	(779,462)	1,072,527

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

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

Life takaful and medical insurance contracts
For life takaful insurance, the main risks are claims for medical, death or permanent disability.

The reinsuring strategy for the life takaful of business is to ensure that policies are well diversified in terms of type of risk and level of insured benefit. This is achieved through the terms of the policies with the insurer to cover the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history.

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.3 Insurance risk (continued)

Key assumptions (continued)
Life takaful and medical insurance contracts (continued)

	2021			*2020*		
Type of contracts	***Gross liabilities KD***	***Reinsurers' share of liabilities KD***	***Net liabilities KD***	*Gross Liabilities KD*	*Reinsurers' share of liabilities KD*	*Net liabilities KD*
Group life	**317,091**	**(285,382)**	**31,709**	279,426	(251,482)	27,944
Total life takaful contracts	**317,091**	**(285,382)**	**31,709**	279,426	(251,482)	27,944

All life takaful contracts are in Kuwait, the analysis above would not be materially different if based on the countries in which the counterparties are situated.

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

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

17.4 Credit risk
Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Financial assets subject to credit risk consist principally of bank balances, investment deposits, and accounts receivables.

The Group has policies and procedures in place to limit the amount of credit exposure to any counter party. These procedures include the non-concentration of credit risk which is carefully monitored on a regular basis.

The tables below show the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	2021 KD	*2020 KD*
Shareholders		
Cash and bank balances	**71,977**	694,976
Investments deposits	**1,981,214**	1,799,499
Accounts receivable	**152,244**	136,521
Amounts due from Participants' fund	**7,353,182**	6,277,745
Qard Hassan to Participants' fund	**8,628,972**	8,151,250
Total credit risk exposure	**18,187,589**	17,059,991

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.4 Credit risk (continued)

	2021	*2020*
	KD	*KD*
Participants		
Cash and bank balances	**84,611**	116,579
Investment deposits	**103,358**	-
Premium receivables (net)	**1,859,868**	705,107
Amounts due from insurance and reinsurance companies (net)	**775,642**	1,680,631
Reinsurance recoverable on outstanding claims	**829,079**	1,030,944
Other receivables	**353,381**	339,158
Total credit risk exposure	**4,005,939**	3,872,419

Credit exposure by credit rating

The tables below provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties:

		Neither past due nor impaired		
	High Grade	***Standard Grade***	***Unrated***	***Total***
2021	***KD***	***KD***	***KD***	***KD***
Shareholders				
Cash and bank balances	**66,404**	**5,573**	**-**	**71,977**
Investments deposits	**206,715**	**1,774,499**	**-**	**1,981,214**
Accounts receivable	**-**	**152,244**	**-**	**152,244**
Amounts due from Participants' fund	**-**	**-**	**7,353,182**	**7,353,182**
Qard Hassan to Participants' fund	**-**	**-**	**8,628,972**	**8,628,972**
	273,119	**1,932,316**	**15,982,154**	**18,187,589**

		Neither past due nor impaired		
	High Grade	*Standard Grade*	*Unrated*	*Total*
2020	*KD*	*KD*	*KD*	*KD*
Cash and bank balances	550,000	144,976	-	694,976
Investments deposits	25,000	1,774,499	-	1,799,499
Accounts receivable	-	136,521	-	136,521
Amounts due from Participants' fund	-	-	6,277,745	6,277,745
Qard Hassan to Participants ' fund	-	-	8,151,250	8,151,250
	575,000	2,055,996	14,428,995	17,059,991

		Neither past due nor impaired		
	High Grade	***Standard Grade***	***Unrated***	***Total***
2021	***KD***	***KD***	***KD***	***KD***
Participants				
Cash and bank balances	**84,611**	**-**	**-**	**84,611**
Investment deposits	**103,358**	**-**	**-**	**103,358**
Investments held at FVTPL	**180,442**	**-**	**-**	**180,442**
Premium receivables (net)	**-**	**42,489**	**1,817,379**	**1,859,868**
Amounts due from insurance and reinsurance companies (net)	**335,437**	**214,191**	**226,014**	**775,642**
Reinsurance recoverable on outstanding claims	**267,532**	**561,547**	**-**	**829,079**
Other receivables	**-**	**-**	**353,381**	**353,381**
	971,380	**818,227**	**2,396,774**	**4,186,381**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.4 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past due nor impaired			
2020	*High Grade KD*	*Standard Grade KD*	*Unrated KD*	*Total KD*
Cash and bank balances	116,579	-	-	116,579
Premium receivables (net)	-	21,153	683,954	705,107
Amounts due from insurance and reinsurance companies (net)	896,144	297,104	487,383	1,680,631
Reinsurance recoverable on outstanding claims	758,035	272,909	-	1,030,944
Other receivables	-	-	339,158	339,158
	1,770,758	591,166	1,510,495	3,872,419

17.5 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise.

The table below summarises the maturity of the liabilities of the Group based on remaining undiscounted contractual obligations for 31 December 2021 and 31 December 2020, based on current market profit rates.

	1 to 3 months KD	***3 to 12 months KD***	***1 to 5 years KD***	***Total KD***
2021				
Shareholders				
Accounts payable and accruals	**12,738**	**64,828**	**242,024**	**319,590**
Lease liability	**23,175**	**69,525**	**84,975**	**177,675**
Total	**35,913**	**134,353**	**326,999**	**497,265**
Participants				
Amounts due to insurance and reinsurance companies	**200,195**	**500,489**	**300,295**	**1,000,979**
Amounts retained from reinsurance	**11,989**	**30,992**	**86,649**	**129,630**
Other liabilities	**481,793**	**494,139**	**84,369**	**1,060,301**
Total	**693,977**	**1,025,620**	**471,313**	**2,190,910**

17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

17.5 Liquidity risk (continued)

	1 to 3 months KD	*3 to 12 months KD*	*1 to 5 years KD*	*Total KD*
2020				
Shareholders				
Accounts payable and accruals	10,859	53,151	200,994	265,004
Total	9,783	48,176	180,548	265,004
Participants				
Amounts due to insurance and reinsurance companies	78,341	156,684	287,252	522,277
Amounts retained from reinsurance	8,639	21,598	56,156	86,393
Other liabilities	321,013	370,886	556,330	1,248,229
Total	407,993	549,168	899,738	1,856,899

17.6 Market risks

Market risks is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market profit rates (profit rate risk) and market prices (equity price risk). The Group limits market risk by maintaining a diversified portfolio and by monitoring the developments in markets.

17.6.1 Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. As at 31 December 2021, the Group is not exposed to significant foreign currency risk as majority of its assets and liabilities are mainly denominated in Kuwaiti Dinars.

17.6.2 Profit rate risk

Profit rate risk arises from the possibility that changes in profit rates will affect future cash flows or the fair values of financial instruments. The Group is not exposed to profit rate risk as financial assets and liabilities are Islamic financial instruments with fixed profit rates.

17.6.3 Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments.

The effect of equity price risk on consolidated statement of profit or loss of the Group as a result of a change in the fair value of equity instruments held as financial assets at fair value through profit or loss and financial assets at the year-end due to an assumed 5% change in market prices, with all other variables held constant, is as follows:

Market indices	***Change in equity price %***	***Effect on consolidated statement of profit or loss (+/-)***	
		2021 KD	*2020 KD*
	(+/-) 5%	**50,498**	91,273

18 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or return the capital to shareholders or issue new shares. Capital comprises share capital, statutory reserve, voluntary reserve, cumulative changes in fair values and retained earnings (accumulated losses) and is measured at KD 10,030,012 as at 31 December 2021 (2020: KD 9,992,851).

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

19 FAIR VALUES MEASUREMENT

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in orderly transactions between market participants at the measurement date.

As at 31 December, the Group held the following investment securities measured at fair value:

2021	***Level 1 KD***	***Level 3 KD***	***Total KD***
Financial assets at fair value through profit or loss			
Quoted local securities	**541,029**	**-**	**541,029**
Unquoted local securities	**-**	**238,684**	**238,684**
Unquoted foreign funds	**-**	**410,686**	**410,686**
Total	**541,029**	**649,370**	**1,190,399**

2020	*Level 1 KD*	*Level 3 KD*	*Total KD*
Financial assets at fair value through profit or loss			
Unquoted local securities	-	238,684	238,684
Unquoted foreign funds	-	1,586,771	1,586,771
Total	-	1,825,455	1,825,455

For other financial assets and financial liabilities carried at amortized cost, the carrying value is not significantly different from their fair values as most of these assets and liabilities are of short-term maturity or re-priced immediately based on market movement in profit rates.

The following table shows a reconciliation of the opening and closing amount of level three financial assets at fair value through other comprehensive income.

	At 1 January 2021 KD	***Sale/ redemption KD***	***Change in fair values KD***	***At 31 December 2021 KD***
Financial assets at fair value through profit or loss				
Unquoted local securities	**238,684**	**-**	**-**	**238,684**
Unquoted foreign funds	**1,586,771**	**(1,145,707)**	**(30,378)**	**410,686**
Total	**1,825,455**	**(1,145,707)**	**(30,378)**	**649,370**

19 FAIR VALUES MEASUREMENT (continued)

	At 1 January 2020	*Change in fair values*	*At 31 December 2020*
	KD	*KD*	*KD*
Financial assets at FVOCI			
Unquoted local equity securities	96,453	(96,453)	-
Financial assets at TVTPL			
Unquoted local securities	477,369	(238,685)	238,684
Unquoted foreign funds	1,510,426	76,345	1,586,771
Total	1,987,795	(162,340)	1,825,455

Description of significant unobservable inputs to valuation of financial assets:
Unquoted equity securities are valued based on book value and price to book multiple method, multiples using latest financial statements available of the investee entities and adjusted for lack of marketability discount in the range of 25% to 50% (2020: 25% to 50%). The Group has determined that market participants would take into account these discounts when pricing the investments.

Managed fund investments are mainly carried at net asset values provided by the Portfolio manager.

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

The fair values of financial instruments are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair value.