ANNUAL REPORT 2023

arig

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BOARD OF DIRECTORS

Saeed Mohammed AlBahhar
Chairman of the Board and member of the Nomination and Remuneration Committee

Ahmed Omar Alkarbi
Vice Chairman of the Board

Mohamed Ahmed Alkarbi
Director, Chairman of the Audit & Risk Committee and Chairman of the Nomination & Remuneration Committee

Mohamed Saif AlSuwaidi
Director and member of the Nomination & Remuneration Committee

Wael Ibrahem Abu Khzam
Director and member of the Audit & Risk Committee and Nomination & Remuneration Committee

Abdulla Saeed Al Ghfeli
Director and member of the Audit & Risk Committee

Saeed Mohammed AlBahhar
Chairman

DEAR SHAREHOLDERS,

The Directors of Arab Insurance Group (B.S.C.) (Arig or Group) present the Company's 43rd Annual Report along with the audited Consolidated Financial Statements for the year ended 31 December 2023.

As you are aware, at the Extraordinary General Meeting (EGM) on 13 August 2020, the decision to cease writing business was taken and this decision had a significant impact on the strategic direction and future of the Company. The annual report needs to be read in light of this decision of the EGM.

The significant developments during the year on shareholders decision to divest their shares in the company or sale of re-insurance portfolio are as below:

- o Following the appointment of investment banker for the divesture of holding in Arig by the current shareholders, the Company did not receive any binding proposal in spite of extension of the period to submit the same.
- o Instead, the Board received two non-binding proposals from one of the bidders which significantly undervalued the net worth of the Company. The Board on evaluation rejected both proposals.
- o The Board decided to pursue sale of insurance portfolio to speed up the runoff and is in the final stages of appointing an international broker to lead the sale.

Offer to acquire 10% of the shares of the Company

- While the appointment of the broker for the sale of portfolio was being finalised, the offer from a potential investor "Gulf Tamin Ltd" was received for acquisition of 10% of the shares of the Company. The proposal was by investors who had earlier completed the due diligence for the sale of the company.
- The regulations relating to such offer requires that Arig or the Board does not take action that would be deemed to be frustrating the offer and therefore finalizing the appointment of the broker for sale of reinsurance portfolio was put on hold.
- As required by regulations, the Board appointed an independent professional advisor to advise the board as to whether the offer is fair and reasonable. The professional independent advisor had come up with a value of US$ 1.37 per share and came to the conclusion that the offer of US$ 0.53 was not fair and not reasonable and the same was published as part of the Company's Board Circular issued to the shareholders. Accordingly, the Independent Professional Advisor advised the Board not to recommend acceptance of the offer by the Shareholders.
- The offer was not successful and the shareholders who accepted the offer remain shareholders of Arig, the Company also incurred additional cost of US$ 80,000 in addition to the time executives spent on the offer.

GROUP PERFORMANCE

Arig achieved positive financial results for 2023 by managing its reserves and favourable investment returns with a net profit amounting US$ 14.0 million attributable to shareholders (2022: Net profit US$ 29.2 million) representing an average return of 4.81% on average shareholders' equity. Consequently, the Board has recommended a cash dividend of 20% on the company's paid-up capital (20 cents per share), which yet remains subject to approval of the company's shareholders during the upcoming Annual General Meeting.

The profit is mainly due to a combination of higher investment income, lower reinsurance loss experience and an emphasis on reducing costs.

The Group reported total investment income of US$ 14.7 million (2022: US$ 1.6 million); a reflection of the prevailing high interest rate.

The staff count at Arig parent stood at 50 (2022: 52).

ARIG'S REINSURANCE POSITION

The Group implemented IFRS 17 that resulted in an accretion of US$ 12.5 million of transitional impact on retained earnings. The total insurance contract liabilities stood at US$ 97.0 million (2022: US$ 112.6 million) primarily due to reduction of liability for incurred claims and claims paid.

The overall insurance service result was a profit of US$ 2.6 million (2022: US$ 19.6 million) a reduction of 87% primarily due to less favourable claim experience compared to 2022.

ARIG'S INVESTMENT POSITION

Arig Investment policy is a conservative one, so as not to risk the shareholders equity as well as the interests of policy holders. Group Investment Assets stood at US$ 393.4 million in December 2023 (2022: US$ 393.2 million) as follows:

		US$ million
	2023	2022
Cash	219.6	215.1
Fixed maturities	162.3	164.1
Alternative investment	11.0	13.5
Investment in associates	0.5	0.5

Anticipating the end of the hike in interest rates, the Board as per the recommendation of Management had directed that new investments are considered with a focus on short term US Treasury. Taking advantage of the prevailing high interest rates, company's funds are being placed in short term deposits.

REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

In 2023 the following amounts were paid / accrued to the Board members and the Executive management.

First: Board of directors' remuneration details:

(US$ '000)

Name	Fixed remunerations					Variable remunerations					**End-of-service award**	**Aggregate amount** (Does not include expense allowance)	**Expenses Allowance**
	Renumeration of the chairman and BOD	Total allowance for attending Board and committee meetings	Salaries	Others	**Total**	Remunerations of the chairman and BOD*	Bonus	Incentive plans	Others**	**Total**			
First: Independent Directors & Non - Executive Directors													
1. Saeed Mohammed AlBahhar	-	-	-	-	-	66.0	-	-	63.0	129.0	-	129.0	55.6
Second: Non - Independent & Non - Executive Directors:													
1. Mohamed Saif AlSuwaidi	-	-	-	-	-	43.8	-	-	48.0	91.8	-	91.8	19.6
2. Wael Ibrahem Abu Khzam	-	-	-	-	-	43.8	-	-	63.0	106.8	-	106.8	21.8
3. Ahmed Omar Alkarbi	-	-	-	-	-	43.8	-	-	33.0	76.8	-	76.8	35.5
4. Mohamed Ahmed Alkarbi	-	-	-	-	-	43.8	-	-	66.0	109.8	-	109.8	42.6
5. Abdulla Saeed Alghfeli	-	-	-	-	-	43.8	-	-	42.0	85.8	-	85.8	-
Total	-	-	-	-	-	285.0	-	-	315.0	600.0	-	600.0	175.1

* proposed remuneration.

** total allowance for attending Board and committee meetings.

Second: Executive management remuneration details:

(US$ '000)

Executive management	**Total paid salaries and allowances**	**Total paid remuneration (Bonus)**	**Any other cash/ in kind remuneration for 2023***	**Aggregate Amount**
Top 6 remunerations for executives, including CEO and Senior Financial Officer	977	89	255	1,321

*includes end of service benefit.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its gratitude to His Majesty King Hamad bin Isa Al Khalifa and His Royal Highness Prince Salman bin Hamad Al Khalifa, the Crown Prince, Deputy Supreme Commander of the Armed Forces and Prime Minister, for their wise leadership of the Kingdom of Bahrain. The Directors further extend their thanks to our business partners, clients, staff and shareholders for their support and cooperation throughout the year.

On behalf of the Board of Directors

Mr. Saeed Mohammed AlBahhar
Chairman

Mr. Mohamed Ahmed Alkarbi
Board Member

February 26, 2024

FINANCIAL HIGHLIGHTS

KEY FIGURES

(US$ million)	**2023**	2022
Insurance service result	2.6	19.6
Financial insurance result	10.2	7.4
Net profit	14.0	29.2
Investment assets	393.4	393.2
Reinsurance contract assets	4.3	4.4
Total assets	412.1	421.4
Insurance contract liabilities	97.0	112.6
Shareholders' equity	294.5	286.6

Note - above figures are based on adoption of IFRS 17 and IFRS 9.

PERCENTAGE OF SHAREHOLDING
(on outstanding shares)

UAE Government	34.84%
Libya Government	16.06%
Kuwait Government	10.10%
UAE Private	19.36%
Kuwait Private	7.42%
Bahrain Private	5.64%
Other Private	6.58%

As of 31 December 2023

OPERATING AND FINANCIAL REVIEW

Samuel Verghese
Acting Chief Executive Officer

BUSINESS REVIEW

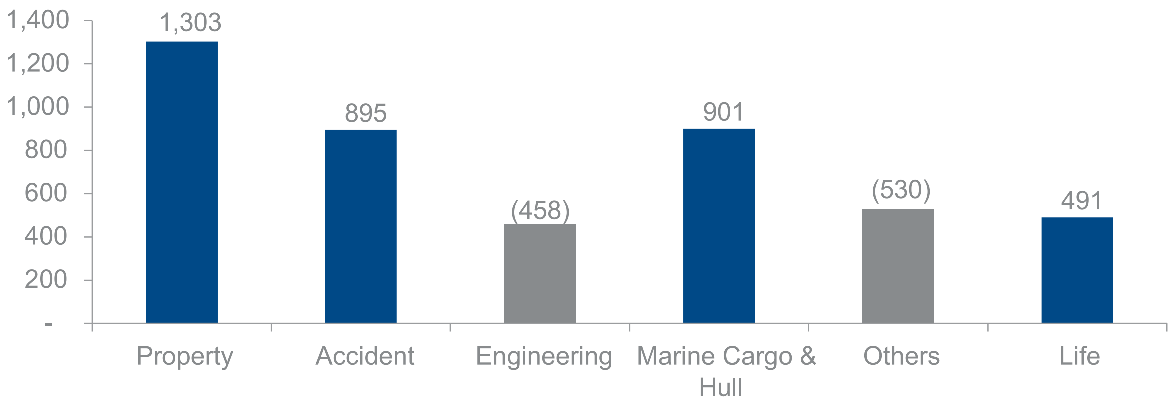
Reinsurance Performance

Arab Insurance Group (B.S.C.) (Arig or the Group) has produced the financial statements compliant with the new requirements of IFRS 17. The company has adopted Premium Allocation Approach (PAA) measurement model for all lines except long-term life business, where General Measurement Model (GMM) was applied. The comparatives for the year 2022 were restated in accordance with the new standard.

Arig reported US$ 1.2 million insurance revenue for the year 2023 (2022: insurance revenue US$ 4.8 million). This reduction in insurance revenue was mainly due to the decision of the Shareholders to cease writing reinsurance business. There were no insurance revenue from the Lloyd's portfolio during 2023 (US$ 2.1 million in 2022), mainly due to closing of the last year of participation in Lloyds syndicates through the subsidiary Arig Capital Limited.

Overall insurance service results for the Group was US$ 2.6 million (2022: US$ 19.6 million) primarily due to less favorable adjustments to the liability for incurred claims in 2023 as compared to 2022.

Group Insurance Service Result by line (in US$ 000)



INVESTMENTS

The Financial Markets

2023 was a challenging year for the global economy. Economic growth was modest. Inflation moderated in major economic blocs but remained above the target rate. Central banks, therefore, continued with their policy of monetary tightening. The US Federal Reserve increased its benchmark fed funds rate by a hundred basis points in the year to 5.5%. The ECB and the Bank of England also made notable increases in their lending rates.

The increase in interest rates did not impact the financial markets. Both fixed income and equities recorded positive returns. The benchmark fixed-income Bloomberg Global Aggregate Index was up 7.14%. The Morgan Stanley Global Equity Index rose 21.8%. Yields on government securities, especially short-term bonds, continued to stay elevated relative to historical levels. The year was favorable to predominantly cash and fixed-income investors like Arig.

Investment Strategy and Performance

Arig's portfolio places a premium on liquidity and safety to service volatile reinsurance liabilities. Allocations to traded equities and alternative investments are out of shareholder's funds. Policyholder funds are invested only in cash and bonds.

We have taken a strategic decision to exit from equity positions to protect shareholders' funds following the decision at the EGM in August 2020 to cease writing further reinsurance business.

In 2023, we continued with our strategy of the prior year. Allocation to short-term deposits was maintained to take advantage of interest rates that were at multi-year highs. Proceeds from maturing bonds were reinvested in short-term US government securities.

The parent company's investment income increased to US$ 14.2 million (2022: US$ 1.2 million). Group Investment income was US$ 14.7 million (2022: US$ 1.6 million). The overall yield on the Group Investment Portfolio was 3.8% (0.4% in 2022).

Outlook

Arig will continue to manage the current low-risk portfolio within the Company's current priorities and our standing obligation to policyholders and shareholders. Our overarching objectives continue to be conservative portfolio allocation, preservation of capital, and providing liquidity at short notice.

SUBSIDIARIES

Takaful Re Limited (TRL)

The Group's Islamic reinsurance subsidiary TRL, in run-off since April 2016, reported a net profit of US$ 0.8 million (2022: profit US$ 0.6 million) for the year. Group's share in the profit was US$ 0.4 million (2022: profit US$ 0.3 million).

TRL's investments yielded an average return of 1.8% (2022: 1.7%) with investment earnings of US$ 0.5 million (2022: US$ 0.4 million). The Company's investments assets were almost entirely held in cash and short-term Islamic deposits.

Gulf Warranties (GW)

Gulf Warranties, the Group's subsidiary under liquidation, reported a profit of US$ 0.7 million to the Group's results for the year (2022: profit US$ 4.1 million) due to the release of provisions following the reassessment of liabilities.

Arig Capital Limited (ACL)

ACL, the wholly owned corporate member at Lloyd's of London, ceased writing new business from 1 January 2020. ACL recorded loss of US$ 0.3 million for the year (2022: Profit US$ 2.2 million) mainly due to reversal of run-off provisions.

CORPORATE GOVERNANCE REPORT

Arab Insurance Group B.S.C ("Arig") is committed to follow international Best Practices of Corporate Governance. We firmly believe that there is a link between strong ethical standards, good governance and the creation of shareholder value. In our communication with stakeholders and the general business community, we aim to be fully transparent through high standards of disclosure.

Arig was Established on 9 June 1980 as a reinsurance company. As at 31st December 2023, Arig has an authorized capital of US$ 500 million and paid-up capital of US$ 220 million.

Central Bank of Bahrain – Rulebook Volume 3 – High Level Control

The Company follows the Corporate Governance requirements as laid down in Volume 3 of the Central Bank of Bahrain Rulebook. This Corporate Governance Report is also included as a separate item as part of agenda for the Annual General Meeting.

Shareholders

Arig is a public listed company, and its shares are listed on Bahrain Bourse.

Arig held one shareholder meeting during the year, the Annual General Meeting held was at Arig premises on 29th March 2023.

Further shareholders details are set out in the Notes of the Consolidated Financial Statements (Note 18, i(a), i(b) & i(c)). As set out in page 70.

Framework

The Company, through its Board of Directors, maintains a governance framework in all areas of its operations, which includes formalized policies, procedures, guidelines and relevant management reporting requirements. Arig's governance practices are reviewed and amended from time to time.

The Board of Directors

The members of the Board are elected and can be terminated by the shareholders of the Company in accordance with the provisions under the Articles of Association, the Commercial Companies Law of Bahrain and the Central Bank of Bahrain (CBB) regulations. In accordance with Arig's Articles of Association, any shareholder with 10% or more of the Company's shares shall have the right to appoint a member of the Board of Directors, while any shareholder exercising such right shall be barred from voting to elect other members of the Board of Directors at a General Meeting.

The Board holds the ultimate responsibility for the overall direction, supervision and control of the Company. It regularly assesses the Company's financial and commercial performance and approves its business plan. The Board continuously oversees the corporate governance processes in order to ensure good standards within the Company. The Board further reviews and assesses the adequacy of the management of all risks the Company may be exposed to.

The current Board was elected/appointed by the shareholders at the Ordinary General Meeting held on 26th September 2022 for a period until March 2025. Formalized Board procedures enhance the professional development of the Board members and include induction training to new directors, continuous learning, and self-evaluation. The names of the current directors and biographical details are set out in page 20. The current Board of Directors is comprised of 6 Directors, 100% Directors are male and no female members.

Members of the Board are all non-executive, as per the current Board composition. Based on the composition of the Board members as a result of the aforementioned election and appointment, one out of six-members is an independent non-executive director, as the other independent Board member did not meet the criteria as per the CBB regulations. As the current composition does not meet CBB regulations which requires that at least one-third of the Board members shall be independent directors. The Board is currently reviewing the composition of the Board members and the proposal to resolve the matter is under consideration. The Board formally reviews and evaluates its own performance together with the performance of the individual directors, as required by Volume 3 of the CBB Rulebook.

Board Committees

While principal matters are handled by the Board, separate Committees are mandated to assist the Board in carrying out its duties in an efficient manner. The Audit & Risk Committee oversees financial reporting process, Company's system of internal controls, risk management and compliance with laws regulations. The Nomination & Remuneration Committee is tasked to review the nomination and compensation of the Board of Directors and the members of the Company's General Management. All Board Committees meet periodically to achieve their objectives and to also annually assess the Committees' efficiency.

Board Meetings

According to the Articles of Association and local regulations, the Board is required to meet at least four times in a year and 50% of the Board meeting to be held in Bahrain. During the year 2023, Board met 11 times, and more than 50% of the Board meetings were held in Bahrain.

The following table lists the number of meetings held during 2023, including Board Committees and the individual attendance:

Directors	Board Meetings	Audit & Risk Committee	Nomination & Remuneration Committee
	(11)	(6)	(5)
Mr. Saeed Mohammed AlBahhar *	11	N	5
Mr. Ahmed Omar AlKarbi	11	N	N
Mr. Mohamed Saif AlSuwaidi	11	N	5
Mr. Mohamed Ahmed AlKarbi	11	6	5
Mr. Abdulla Saeed AlGhfeli	9	5	N
Mr. Wael Ibrahem Abu Khzam	11	6	4

- * Independent Non-Executive Director
- N- Not a member

Management

Responsibilities of the Chairman and the Chief Executive Officer (CEO) are separated. The Chairman of the Board is responsible for the leadership of the Board, ensuring its effectiveness in all aspects of its role and setting its agenda, considering the issues relevant to the Company and the concerns of all Board members.

The Acting CEO executes leadership in the day-to-day management of the Company.

Biographical details of the Acting CEO are set out in page 21

Directors' and General Management Compensation

The Directors' remuneration is determined in accordance with the Bahrain Commercial Companies Law including the executionary regulations and amendments and the provision under the Company's Articles of Association including its amendments and is approved by the shareholders. Directors' compensation includes remuneration, allowances and reimbursement of expenses. The compensation of the General Management is determined by the Board of Directors based on the recommendations of the Nomination & Remuneration Committee, and includes salaries, allowances, reimbursement of expenses, post-employment benefits and performance related incentives. (for further information refer page 5). Details as required under the CBB Rulebook are held at the Company's premises for the availability of the shareholders.

Organizational Structure

The Company has in place a detailed organizational structure (shown on page 19) to achieve the Company's objectives, its strategic development and internal controls. However, due to the shareholders' decision to cease reinsurance operations, the Board has decided to defer filing up certain vacant positions.

Succession Planning

The Company recognizes the value of its human resource and the significance of ensuring qualified and orderly successions. The Nomination & Remuneration Committee oversees reviewing and approval of the succession plan. However, currently some of the key positions remain vacant due to the approval by the Shareholders to cease writing new reinsurance business.

Policy on the Employment of Relatives

As required by the CBB Rulebook, the Company has formulated a policy on the employment of relatives of the approved persons.

Key Persons Dealing in Arig Securities

Arig has an established policy with regard to key persons dealing in Arig securities, which complies with the Bahrain Bourse guidelines and the Rulebook Volume 6 (Capital Markets) issued by the Central Bank of Bahrain. During the year, the Company has complied with relevant reporting and monitoring requirements as stipulated under these regulations.

Following are the details of Arig shares held by members of the Board, including their representatives, and members of the General Management, including their spouses, children or other persons under their control as per Arig's record:

Particulars	Directors (including Corporate Directors)	General Management
Shares held at 1-1-2023	116,729,768	-
Add: Shares acquired during the year	-	-
Less: Shares sold during the year	-	-
Shares held at 31-12-2023	116,758,946	-

The increase in the Directors shares during 2023 is equivalent to 29,178 shares, which was due to the transfer of the qualification shares held by the ex-Board member of the Central Bank of Libya.

Investor Relations

Arig makes considerable effort to maintain active investor relations through open, fair and transparent communication. A dedicated shareholder affairs unit is responsible for the timely dissemination of all relevant information to its stakeholders. The Company's website (www.arig.net) provides detailed information on corporate governance, business and financial information.

The Annual General Meeting of shareholders was held within 90 days of the end of the financial year in accordance with legal and regulatory requirements. Notice to the Annual General Meeting was released well in advance to shareholders, regulators and stock exchanges. Copies of the Annual Report and accounts were made available at least one week prior to the meeting ensuring that shareholders have sufficient time to prepare for the discussion of the Company's performance with the Board of Directors.

Capital and Shares

Arig's authorised capital is comprised of 500 million ordinary shares with a nominal value of US$ 1 each. The issued, subscribed and paid-up capital is US$ 220 million. Shares are held by 4,255 shareholders mostly throughout the GCC countries. These are tradable by people of any nationality through the Bahrain Bourse. Further shareholding information is given on page 70 of this Annual Report.

Compliance

Arig has established a Board approved comprehensive compliance framework covering all rules and regulations applicable to the Company's business operations. The Company has a separate Compliance unit headed by a Compliance Officer who reports to the Audit & Risk Committee of the Board of Directors. This unit ensures that Arig meets all regulatory requirements stipulated by the Central Bank of Bahrain, the Bahrain Ministry of Industry and Commerce, and Bahrain Bourse. There were no financial penalties incurred during the year 2023.

Internal Control

The Board holds ultimate responsibility for overseeing the functioning of all internal controls within the Company. Management is responsible for the design and operation of internal controls through a network of policies, guidelines, procedures, and authorization levels. Performance monitoring is operative in all areas of the Company's operations, including periodical reviews and updates, where appropriate. All significant authority limits for underwriting, claims and other operational areas are reviewed and approved by the Board. In daily operations, the management at various levels safeguards the application of all control mechanisms and ensures that a positive control environment is maintained.

All transactions with related parties are conducted at arm's length. During the year there are no transactions with related parties as defined in the CBB Rulebook.

On behalf of the Board, the Audit & Risk Committee periodically oversees the application of the Company's internal control framework and the assessments of these controls from the evaluation reports produced by Arig's internal and external auditors. The Committee then advises the Board of Directors on the status and effectiveness of the Company's control environment and necessary actions that are to be taken by management to strengthen any identified control weaknesses.

The Audit & Risk Committee outsourced the Internal Audit function during the year in accordance with Volume 3 of the CBB Rulebook.

Business Strategy

Following the resolution of the shareholders to cease writing new reinsurance business, Arig is in the process of carrying out the following:

- Carry out an orderly run-off of the existing portfolio internally or by appointing a third party to carry out the run-off including the sale of portfolio;
- While the Company is under run-off, explore the possibility of finding a buyer to take over the company.

Shareholders have authorized the Board to take all action as required to preserve and enhance Shareholder value.

Enterprise Risk Management (ERM)

Arig applies an ERM regime that aims at closely monitoring the risks the Company could be exposed to and their potential effects on capital as well as financial and operational performance. Regular reviews are carried out to assess the development and trends in the Company's exposures and, whenever possible and reasonable, introduce measures to mitigate the potential for negative effects.

The Company maintains an ERM framework under the responsibility of the Head of Risk Management who reports to the Audit & Risk Committee of the Board of Directors. The Risk Register is reviewed and actively managed with the goal to keep the use of capital at risk at efficient performance levels without over-exposing the shareholders' equity interest.

Our key risk categories are underwriting risk, reserve risk, market risk, operational risk, credit risk and liquidity risk.

The Company has a number of risk avoidance and mitigation strategies in place to manage its key risk exposures.

- *Risk Appetite Statement* - Arig maintains a defined statement of its risk appetite expressing its maximum tolerance to losses for each of the main risk categories. The Risk Appetite Statement represents a key document in guiding the Company's business conduct which is reviewed periodically and approved by the Board of Directors.

- *Underwriting risk* is contained through a mixture of underwriting guidelines that are system and management controlled, pricing tools and reinsurance covers with highly rated retro markets to cap peak exposures.

- *Reserve risk* is managed through regular internal and external reviews of the reserves to ensure that prudent and adequate reserves are carried.

- *Market risk* exposure is controlled by a basket of investment guidelines and policies that would include maximum allocations to asset classes, trend analysis, and performance monitoring tools, including stop loss disposal orders.

- *Operational risk* represents exposures which jeopardizes the operational capabilities of the Company. These multiple exposures are closely monitored and a continuous effort to mitigate it.

- *Credit risk* is managed by stringent counter-party checks and Arig's preference is to deal with solid and, for the most part, highly rated market entities. At the same time, receivables are monitored through ageing analysis and outstanding balances are actively pursued.

- Finally, *liquidity risk* represents the actual or perceived loss to the Group arising from a potential inability either to meet claims, investments or operational obligations. Arig's investment, claims management and liquidity risk management policies give due consideration to liquidity risk management and as a matter of prudence Arig maintains liquid assets well above its annually modelled liquidity requirements.

External Auditors

External auditors are appointed by the shareholders through the General Assembly. KPMG Fakhro of Bahrain were re-appointed as external auditors for the Financial Year 2023 based on the decision of the General Assembly, as delegated to the Board.

Fees paid to KPMG Fakhro audit for the review and audit of the financial statements of the company including the IFRS 17 for the year 2023 is US$ 143,000 and other fees paid for mandatory review requirements under the agreed upon procedures and the insurance firm return is US$ 6,327.

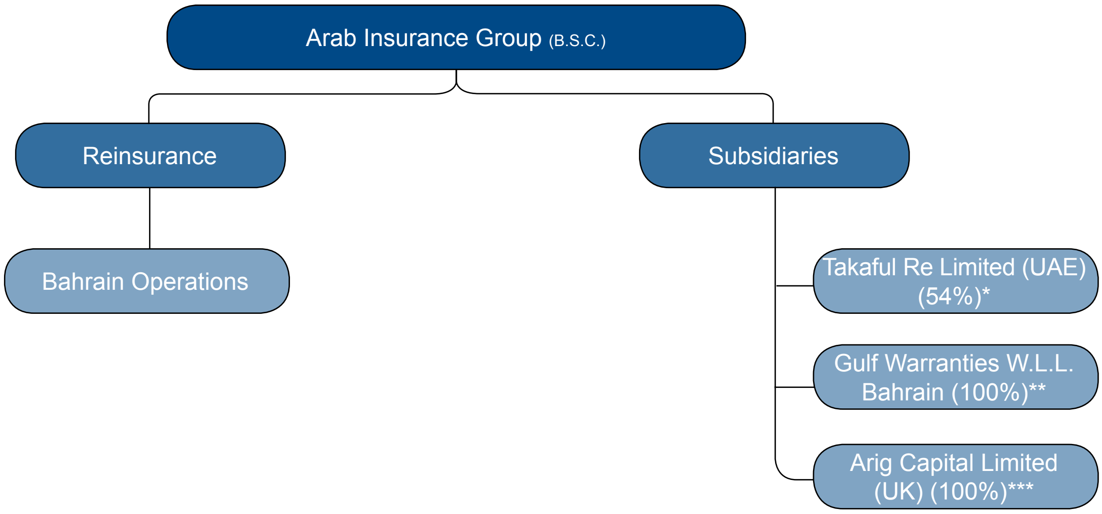
Statutory Solvency

Statutory Solvency requirements are determined by Arig's regulator in Bahrain, the Central Bank of Bahrain. The minimum solvency is defined with reference to a prescribed premium and claims basis. The solvency position of the Company as at 31 December 2023 is given below:

Amount in US$ '000

	2023	**2022**
Capital Available	220,554	235,006
Required margin solvency	2,388	2,388
Total excess capital available over the required margin of solvency	218,166	232,618

ARIG GROUP STRUCTURE

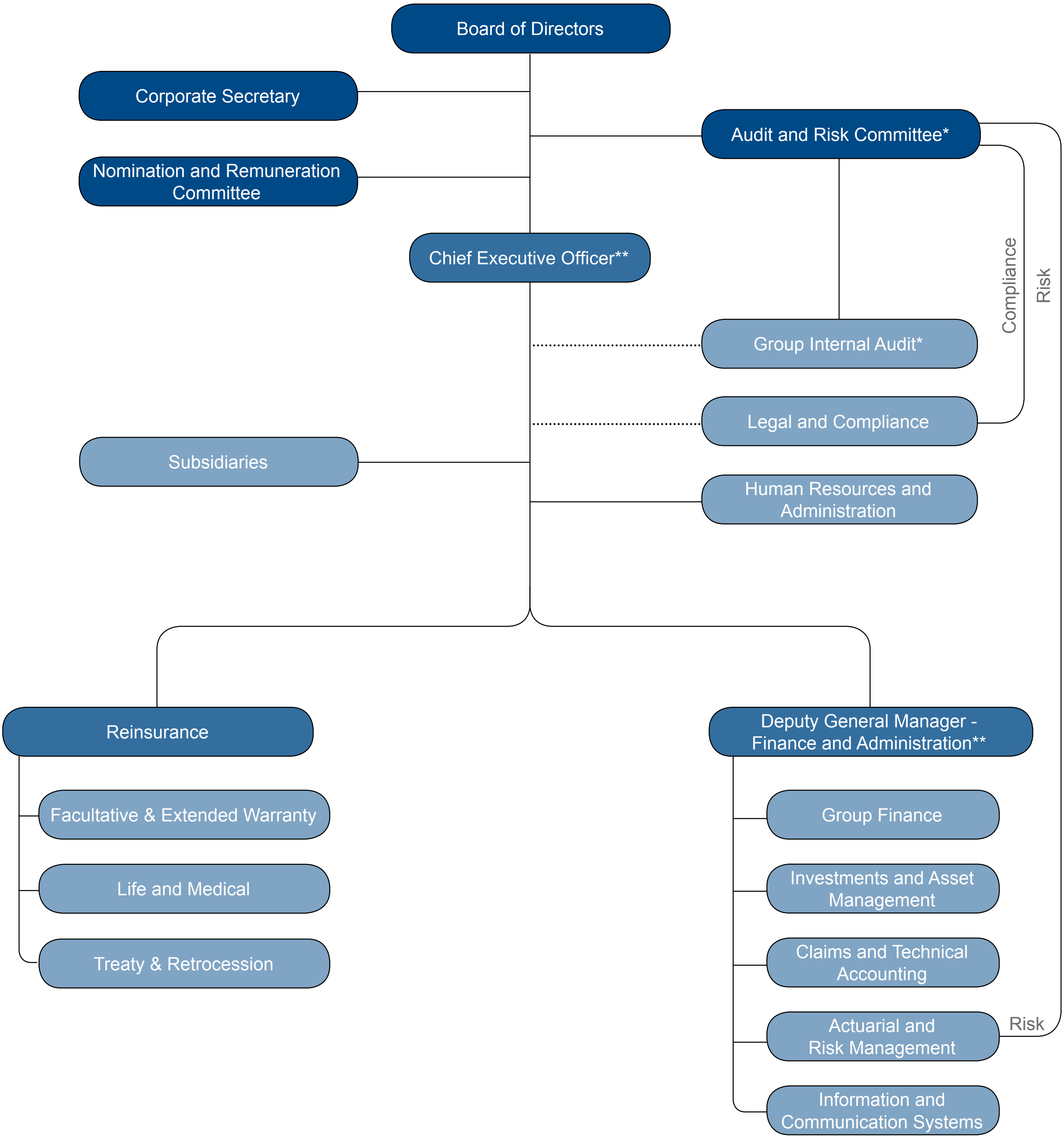


* Takaful Re Limited stopped writing business and is in run-off since April 2016.

** During 2019, Gulf Warranties W.L.L. has been placed under voluntary liquidation.

*** During 2020, Arig Capital Limited (UK) was placed under run-off.

ORGANISATION CHART



* Internal Audit function is outsourced to GT.
** DGM - Finance and Administration is currently the Acting CEO.

BOARD OF DIRECTORS

Saeed Al Bahhar
Saeed Mohammed AlBahhar Chairman of the Board and member of the Nomination and Remuneration Committee.

B.Sc. Economics, Jacksonville University, U.S.A.

Saeed Mohammed AlBahhar has been a member of the Board of Directors, since 25 March 2014 and Chairman of the Board since 12 June 2017. He holds the position of Chairman in Takaful Re Limited.

Ahmed Al Karbi
Ahmed Omar Alkarbi is a director and the Vice Chairman of the Board.

Bachelor's Degree in Accounting and Business Administration from UAE University.

Ahmed Omar Alkarbi has been a member of the Board of Directors since 26th September 2022. He is currently a Board member in AlDhabi Investment – UAE, Umm Al Quwain Investment Company – UAE, and the Chairman of Dubai Building Cooperative Society – UAE.

Mohamed AlSuwaidi
Mohamed Saif AlSuwaidi (Representing Emirates Investment Authority, U.A.E.) Director and member of the Nomination and Remuneration Committee.

Bachelor of Accounting from U.A.E. University, U.A.E.

Mohamed Saif AlSuwaidi has been a member of the Board of Directors since 25 March 2014. Previously, he served as Executive Director of the Asset Management at Emirates Investment Authority. He also previously served as Executive Director of the Fixed Income Department at Abu Dhabi Investment Authority "ADIA".

Mohamed Al Karbi
Mohamed Ahmed Al Karbi is a Director and the Chairman of the Audit & Risk Committee and the Nomination & Remuneration Committee.

B.Sc. in Civil Engineering Science – American University of Sharjah, and Master's degree of Business Administration from UAE University.

Mohamed Ahmed Al Karbi has been a member of the Board of Directors since 26th September 2022 (previous member from 2014 to 2017). He is currently the Major Project Section Head in Abu Dhabi Sustainable Water Solution Company, UAE, Board member in Sharjah Cement & Industrial Development Co. since 2017, Board Member in Al Mushrif Association, Abu Dhabi since 2014, ex-Board member in RAK White Cement and building materials since 2021, and ex-Board member of Takaful Re Limited.

Abdulla Al Ghfeli
Abdulla Saeed Al Ghfeli (representing the General Pension & Social Security Authority (GPSSA) - UAE) is a Director and a member of the Audit & Rik Committee.

Master of Science in International Business and Finance from London Metropolitan University - UK and qualified Chartered Financial Analyst (CFA Designation).

Abdulla Saeed Al Ghfeli has been a member of the Board of Directors since 26th September 2022. He is currently the Investment Manager at the General Pensions & Social Security Authority (GPSSA) - UAE. Board member in AlRamz Corporation, Abu Dhabi Ship Building (ASDB) and Emirates Buildings Company.

Wael Abu Khzam
Wael Ibrahem Abu Khzam (Representing The Central Bank of Libya) Director and member of the Audit & Risk Committee and Nomination & Remuneration Committee.

B.Sc. in Accounting, Tripoli University and Master in Banking Finance, Libyan Academy.

Wael Ibrahem Abu Khzam has been a member of the Board of Directors since 20 March 2017. He is currently employed as a Director of the Risk Management Department at the Central Bank of Libya.

GENERAL MANAGEMENT

Samuel Verghese
Acting CEO and Deputy General Manager, Finance and Administration.

Bachelor of Commerce from Osmania University, India and an Associate member of The Institute of Chartered Accountants of India.

Samuel Verghese joined Arig in finance department and assumed the role of Director, Finance in January 2008. He joined General Management Team in January 2017. He joined currently holds Board memberships at Arima Insurance Software (Bahrain), Arig Capital Limited (UK) and Senior Executive Officer and Director of Takaful Re Limited (DIFC). Prior to joining the Company, he held various managerial positions in companies in India.

KEY RATIOS

	2023	2022
PERFORMANCE RATIOS		
Return on investments (proportion of investment income over average investment assets)	3.8%	0.4%
Return on equity (proportion of net profit from ordinary activity to average shareholder's equity)	4.8%	10.3%
Reduction in Insurance Contract Liabilities	13.9%	41.2%
Growth in shareholders' equity	2.7%	2.9%
LEVERAGE RATIOS		
Net contract liabilities/ Shareholders' equity	31.5%	37.8%
Net contract liabilities / Total Assets	22.5%	25.7%
LIQUIDITY RATIOS		
Investment assets/Net contract liabilities	419.5%	360.5%
Liquid assets/ Net contract liabilities	407.0%	347.6%
OTHER		
Statutory Solvency ratio (Capital available to required solvency margin)	9235.9%	9841.1%
Earnings per share attributable to shareholders (US$)	0.07	0.15
Book value per share (US$)	1.49	1.45
Price to book value per share	56.5%	30.4%

INDEPENDENT AUDITOR'S REPORT

KPMG Fakhro
Audit
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Manama, Kingdom of Bahrain

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CR No: 6220-2

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF

To the Shareholders of
Arab Insurance Group (B.S.C)
P.O. Box 26992
Manama, Kingdom of Bahrain

Opinion

We have audited the consolidated financial statements of Arab Insurance Group B.S.C. (the "Company") and its subsidiaries (together the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Kingdom of Bahrain, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that in an Extraordinary General Meeting held on 13 August 2020 the shareholders approved the Board's recommendation of the cessation of the underwriting activities of the Company, subject to regulatory authorities' approval. These events and conditions, along with other matters as set forth in note 4 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF (Continued)

KAM 1 Valuation of insurance contract liabilities

Refer to notes 3 and 13 – to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: – as at 31 December 2023, the Group had significant insurance contract liabilities, representing 92.9% of the Group's total liabilities and relating to Liabilities for remaining coverage and liabilities for incurred claims; – complex accounting requirements, including the inputs, assumptions, estimates techniques used for contract assets and liabilities and measuring components of insurance contract liabilities that include: • The estimate of future cash flows within the liability for remaining coverage and liability for incurred claims: • Discounting applied to the estimates of future cash flows to reflect the time value of money and financial risk: • Estimation of the non-financial risk adjustment. • Contractual service margin (CSM), loss component, and loss recovery component; and • Asset and liability for remaining coverage for contracts measured under PAA. – susceptibility to management bias and estimation uncertainty when making judgements to determine insurance contract liabilities; and – complex disclosure requirements.	Our audit procedures, with the assistance of our actuarial specialists, included: – testing the design and operating effectiveness of the key controls around recording and reserving process for underwriting, claims payment and reserving; – involving our own specialists: • to assist us in evaluating the reasonableness of management›s key judgements and estimates made in the measuring components of insurance and reinsurance assets and liabilities, including selection of methods, models, input, assumptions and estimates (consist of present value of future cash flows, discount rate, non-financial risk, etc.), as well as the impact of the economic uncertainties; and • to verify the calculation of the contract asset and liability for remaining coverage and asset and liability for incurred claims and respective reinsurance amounts to ensure the calculation methods and the model (PAA) used were appropriate. – evaluating the competence, capabilities and objectivity of the internal or external experts used by management; – assessing the completeness, accuracy, and relevance of data; – testing samples of outstanding claims and related reinsurance recoveries and subrogation claims, focusing on those with most significant impact on the consolidated financial statements to assess whether claims and related recoveries are appropriately estimated; and – Assessing the adequacy of the disclosures in the consolidated financial statements relating to this matter against the requirements of the relevant accounting standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF (Continued)

KAM 2 Transition to IFRS 17 " Insurance Contracts"

Refer to notes 2 (b) to the consolidated financial statements for the disclosures on the transition to IFRS 17.

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: – IFRS 17 "Insurance Contracts" (IFRS 17), which the Group adopted on 1 January 2023: • resulted in new accounting policies including applying the full retrospective to the extent practicable as a transition option by the Group; • the Group has applied the Premium Allocation Approach ("PAA") for all groups of insurance contracts, and using a new estimate and judgement on the determination of the adjustments on transition • resulted in changes to the measurement of insurance and reinsurance contracts by using a new estimate and judgments underlying the determination of adjustments on transition as the Group issues a wide range of insurance and reinsurance contracts; and • significant changes in process, data, and controls that have not been subject to testing previously. – The adoption of this standard has had a significant impact on the reported financial position and performance of the Group, including key performance indicators.	Our audit procedures, amongst others, with the assistance of our actuarial specialists included: – Evaluating the appropriateness of management's selection of accounting policies based on the requirements of IFRS 17, our business understanding, and industry practice. – Considering the appropriateness of the transition approach, this includes evaluating management's process for identifying contracts to be assessed based on the selected transition approach. – validating the application of measurement model choice for selected sample groups of contracts, including testing for Premium Allocation Approach (PAA) including testing for onerosity. – involving own specialists to challenge key judgments and estimates made by management in relation to transition. This includes evaluating the reasonableness of management's key estimates and judgements over classification and measurement decisions. – Evaluating the completeness of data used in preparing the transition adjustments. – Assessing the adequacy of the Group's transitional disclosure requirements in line with IFRS 17.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF (Continued)

KAM 3 Impairment of financial assets

Refer to notes 4 for use of estimate and management's judgement, material accounting policies in note 3 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We focused on this matter because: – As at 31 December 2023, the Group's financial investments is one of the significant assets that the Group has which represents around 41% of the Group's total assets in the consolidated financial statements and is considered one of the drivers of operations and performance; – The Group's investment valued at fair value through OCI (FVOCI) represents debt instruments amounting to 83% of total financial investments for year-end balance with carrying value of USD 140 million; – All debt investments classified at FVOCI is subject to impairment assessment and the Group makes subjective judgments over both timing and recognition of impairment including susceptibility to management bias.	– Our audit procedures, amongst others, included: – Testing the design and operating effectiveness of key controls over the process of recording investment transactions and valuation of the quoted investment portfolio; – Agreeing the valuation of the quoted equity and debt securities and managed funds to externally quoted prices; and For unlisted or unquoted securities, assessing whether the carrying values based on most recent net assets value of the underlying funds, is a reasonable measure of fair value. • For impairment of debt securities measured at fair value through other comprehensive income, we have: • evaluated individual debt security for any signs of significant financial difficulty of the issuer; • assessed if there has been a default or past due event; and assessed if there had been a significant decline in fair value. Evaluation of the adequacy of the Group's disclosures related to valuation and impairment of investments measured at fair value through other comprehensive income by reference to the requirements of the relevant accounting standards.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF (Continued)

Other Information

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

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

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

If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Board of Directors for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and

– appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF (Continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Regulatory Requirements

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

a) the Company has maintained proper accounting records and the consolidated financial statements are in agreement therewith;

b) the financial information contained in the directors' report is consistent with the consolidated financial statements;

c) we are not aware of any violations during the year of the Commercial Companies Law, the CBB and Financial Institutions Law No. 64 of 2006 (as amended), the CBB Rule Book (Volume 3, applicable provisions of Volume 6 and CBB directives), the CBB Capital Markets Regulations and associated resolutions, the Bahrain Bourse rules and procedures or the terms of the Company's memorandum and articles of association that would have had a material adverse effect on the business of the Company or on its financial position; and

d) satisfactory explanations and information have been provided to us by management in response to all our requests.

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

KPMG

KPMG Fakhro
Partner Registration Number 83
26 February 2024

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

(US$ '000)

	Note	31 December 2023	31 December 2022 (restated)	1 January 2022 (restated)
ASSETS				
Cash and bank balances	6	219,577	215,141	59,055
Investments	7	169,188	174,948	424,705
Accrued interest		4,634	3,079	1,744
Reinsurance contract assets	9	4,319	4,417	6,058
Non-insurance deposits		90	111	380
Other assets	10	9,053	8,680	21,312
Investment property	11	-	4,754	4,622
Property and equipment	12	5,255	10,269	11,725
TOTAL ASSETS		**412,116**	**421,399**	**529,601**
LIABILITIES AND EQUITY				
LIABILITIES				
Insurance contract liabilities	13	96,992	112,622	191,437
Other liabilities	17	7,447	9,370	46,714
TOTAL LIABILITIES		**104,439**	**121,992**	**238,151**
EQUITY				
Attributable to shareholders of parent company	18			
Share capital		220,000	220,000	220,000
Treasury stock		(14,793)	(14,793)	(14,793)
Fair value reserve		234	156	14,791
Other reserves		43,987	41,504	40,407
Retained earnings		45,049	39,764	18,230
		294,477	286,631	278,635
Non-controlling interests	19	**13,200**	**12,776**	**12,815**
TOTAL EQUITY		**307,677**	**299,407**	**291,450**
TOTAL LIABILITIES AND EQUITY		**412,116**	**421,399**	**529,601**

These consolidated financial statements were approved by the Board of Directors on 26 February 2024 and signed on its behalf by:

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2023

(US$ '000)

	Note	2023	2022 (restated)
Insurance revenue	20	1,167	4,775
Insurance service expenses	21	3,546	18,212
Net expense from reinsurance contracts held	22	(2,111)	(3,398)
Insurance service result		**2,602**	**19,589**
Investment income	24	14,743	1,577
Insurance finance expenses	25	(4,934)	6,274
Reinsurance finance income	26	381	(466)
Financial insurance result		**10,190**	**7,385**
Other expenses and provisions	27	(2,345)	(3,782)
Other income	28	3,876	6,273
Profit for the year		**14,323**	**29,465**
Attributable to:			
Non-controlling interests		345	282
Shareholders of parent company		**13,978**	**29,183**
		14,323	**29,465**
Earnings per share attributable to shareholders (basic and diluted):	**29 (US cents)**	**7.1**	**14.7**

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

(US$ '000)

	Note	2023	2022 (restated)
Profit for the year		14,323	29,465
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Fair value changes on investment at fair value through other comprehensive income		4,305	(16,114)
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	24	(452)	(1,776)
Transfers for impairment loss on investment at fair value through other comprehensive income		-	2,779
Items that will not be reclassified subsequently to profit or loss:			
Revaluation of property		-	(1,444)
Other comprehensive income for the year		**3,853**	**(16,555)**
Total comprehensive income for the year		**18,176**	**12,910**
Attributable to:		424	(39)
Non-controlling interests		17,752	12,949
Shareholders of parent company		**18,176**	**12,910**

Saeed Mohammed AlBahhar
Chairman

Mohamed Ahmed Alkarbi
Director

Samuel Verghese
Acting Chief Executive Officer

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023 (US$ '000)

2023	Share Capital	Treasury Stock	Reserves: Legal	Reserves: Investment revaluation	Reserves: Property revaluation	Reserves: Total	Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
Balances at 31 December 2022	**220,000**	**(14,793)**	**43,250**	**(4,263)**	**2,673**	**41,660**	**39,764**	**286,631**	**12,776**	**299,407**
Adjustment on initial application of IFRS 9 (note 2)	-	-	-	(2,478)	-	(2,478)	2,478	-	-	-
Restated balances at 1 January 2023	220,000	(14,793)	43,250	(6,741)	2,673	39,182	42,242	286,631	12,776	299,407
Net profit for the year	-	-	-	-	-	-	13,978	13,978	345	14,323
Fair value changes on investment at fair value through other comprehensive income	-	-	-	4,226	-	4,226	-	4,226	79	4,305
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(452)	-	(452)	-	(452)	-	(452)
Total comprehensive income for the year	**-**	**-**	**-**	**3,774**	**-**	**3,774**	**13,978**	**17,752**	**424**	**18,176**
Dividends declared	-	-	-	-	-	-	(9,906)	(9,906)	-	(9,906)
Transfer of net depreciation on revalued property	-	-	-	-	(133)	(133)	133	-	-	-
Transfer to (from) non-distributable reserves	-	-	1,398	-	-	1,398	(1,398)	-	-	-
Balances at 31 December 2023	**220,000**	**(14,793)**	**44,648**	**(2,967)**	**2,540**	**44,221**	**45,049**	**294,477**	**13,200**	**307,677**

(US$ '000)

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

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

(US$ '000)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		(1,625)	17,633
Reinsurance premiums paid		(1,331)	(64,699)
Claims and acquisition costs paid		(10,382)	(49,662)
Reinsurance receipts in respect of claims		2,600	27,552
Investment income		1,692	5,396
Interest received		757	1,702
Operating expenses paid		(10,505)	(9,729)
Other income (expenses), net		1,073	(2,980)
Insurance deposits received (paid), net		959	2,542
Purchase of investments at fair value through profit or loss		(240)	-
Sale of investments at fair value through profit or loss		2,052	48,255
Net cash used in operating activities	30	**(14,950)**	**(23,990)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity/sale of investments		55,130	209,728
Purchase of investments		(50,099)	(38,880)
Term deposits with bank		(26,248)	(134,306)
Interest received		12,059	6,277
Investment income		1,445	1,053
Collateralised cash deposits		43	6,850
Sale (purchase) of property and equipment		3,823	(33)
Purchase of intangible assets		-	(17)
Sale of investment property		6,889	-
Net cash provided by investing activities		**3,042**	**50,672**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(9,906)	(4,953)
Dividends received from associate		-	49
Net cash used in financing activities		**(9,906)**	**(4,904)**
Net (decrease) increase in cash and cash equivalents		**(21,814)**	**21,778**
Effect of exchange rate on cash and cash equivalents		2	2
Cash and cash equivalents, beginning of year		62,244	40,464
Cash and cash equivalents, end of year		**40,432**	**62,244**
Term deposits with bank		179,145	152,897
Cash and bank balances, end of year		**219,577**	**215,141**

The accompanying notes 1 to 36 are an integral part of these consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2023

1. INCORPORATION AND PRINCIPAL ACTIVITY

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

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

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

2. BASIS OF ACCOUNTING AND MEASUREMENT

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

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

This is the first set of the Group’s annual financial statements in which IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments have been applied. The related changes to accounting policies are described as below.

Comparative figures have been regrouped where necessary, to conform to the current year’s presentation.

These consolidated financial statements were authorized for issue by the board of directors on 26 February 2024.

a) Functional and presentation currency

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

b) Use of judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

c) New standards, amendments and interpretations issued but not yet effective

The following new standards, amendments and interpretations to standards that effective for annual periods beginning after 1 January 2023 which are relevant to the Group. These amendments are not expected to have a significant impact on the Group’s consolidated financial statements.

1. Non-current Liabilities with Covenants - Amendments to IAS 1
2. Classification of liabilities as current or non-current - Amendments to IAS 1

d) New standards, amendments and interpretations effective from 1 January 2023

The following relevant new standards and amendments to the standards, which became effective as of 1 January 2023, had a material impact on the consolidated financial statements.

A. Material accounting policy information

The Group also adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’, accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in note 3, *Material accounting policies (2022: Significant accounting policies, estimates and judgements)* in certain instances in line with the amendments.

FOR THE YEAR ENDED 31 DECEMBER 2023

2. BASIS OF ACCOUNTING AND MEASUREMENT (Contd.)

B. IFRS 17 and IFRS 9

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

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

Impact of Transition to IFRS 17

i. *Recognition, measurement and presentation of insurance contracts*

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

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

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

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

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

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

ii. *Transition*

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

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

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

Insurance and reinsurance contracts

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

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

FOR THE YEAR ENDED 31 DECEMBER 2023

2. BASIS OF ACCOUNTING AND MEASUREMENT (Contd.)

- The effects of retrospective application were not determinable because the information required had not been collected (or had not been collected with sufficient granularity) and was unavailable because of system migrations, data retention requirements or other reasons. Such information included for certain contracts:

• expectations about a contract's profitability and risks of becoming onerous required for identifying groups of contracts;
• information about historical cash flows and discount rates required for determining the estimates of cash flows on initial recognition and subsequent changes on a retrospective basis;
• information required to allocate fixed and variable overheads to groups of contracts, because the Group's previous accounting policies did not require such information; and
• information about changes in assumptions and estimates, which might not have been documented on an ongoing basis.

- The full retrospective approach required assumptions about what Group management's intentions would have been in previous periods or significant accounting estimates that could not be made without the use of hindsight. Such assumptions and estimates included for certain contracts:

• assumptions about discount rates, because the Group had not been subject to any accounting or regulatory framework that required insurance contracts to be measured on a present value basis; and

• assumptions about the risk adjustment for non-financial risk, because the Group had not been subject to any accounting or regulatory framework that required an explicit margin for nonfinancial risk.

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

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

The table below summarises the impact of initial application of IFRS 17

	US$ '000
Retained earnings	
As previously reported under IFRS 4 (31 December 2021)	5,738
Impact of initial application of IFRS 17	12,492
As reported under IFRS 17 (1 January 2022)	**18,230**

Impact of Transition to IFRS 9

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

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

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

iii *Transition*
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively. As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings and the opening balance of fair value reserve of the current period.

2. BASIS OF ACCOUNTING AND MEASUREMENT (Contd.)

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

(US$ '000)

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

2. BASIS OF ACCOUNTING AND MEASUREMENT (Contd.)

US$ ‘000

Reserves	
As previously reported under IAS 39 (31 December 2022)	41,660
Reclassification of debt instruments from AFS to FVTPL	1,413
Reclassification of equity type instruments from AFS to FVTPL	(3,891)
As reported under IFRS 9 (1 January 2023)	**39,182**
Retained earnings	
As previously reported under IAS 39 (31 December 2022)	39,764
Reclassification of debt instruments from AFS to FVTPL	(1,413)
Reclassification of equity type instruments from AFS to FVTPL	3,891
As reported under IFRS 9 (1 January 2023)	**42,242**

3. MATERIAL ACCOUNTING POLICIES

Insurance and reinsurance contracts classification

Contracts under which the Group accepts significant insurance risk are classified as insurance contracts. Contracts held by the Group under which it transfers significant insurance risk related to underlying insurance contracts are classified as reinsurance contracts. Insurance and reinsurance contracts also expose the Group to financial risk.

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from cedants. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. The Group issues life and non-life insurance policies. Non-life insurance products include property, marine, engineering, accidents and others. These products offer protection of policyholder’s assets and indemnification of other parties that have suffered damage because of a policyholder’s accident. The Group does not issue any contracts with direct participating features.

Insurance and reinsurance contracts accounting treatment

a) Level of aggregation
IFRS 17 requires the Group to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest ‘unit’, i.e., the lowest common denominator.

However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Group has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Group applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:
- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (Contd.)

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:
- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

b) Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group recognises a group of reinsurance contracts held from the earlier of the following:
- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held.
  And

- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered the related reinsurance contract held in the group of reinsurance contracts held at or before that date.The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

c) Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

d) Measurment - Premium Allocation Approach

	IFRS 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model	Coverage period for one year or less and so qualifies automatically for PAA. For contracts with coverage period greater than one year where there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA

FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (Contd.)

	IFRS 17 Options	Adopted approach
Insurance acquisition cash flows for insurance contracts issue.	Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.	For all business, insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	For all businesses, there is no allowance as the premiums are received within one year of the coverage period. Where the premium due date and the related period of services are more than 12 months the Group has assessed the amount as immaterial, as such no discounting is required.
liability for Incurred Claims, (LFIC) adjusted for time value of money.	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	For all businesses, the LFIC is adjusted for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI	For all business, the Group does not disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.

Insurance contracts – initial measurement

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For all businesses, the liability for remaining coverage is not discounted to reflect the time value of money and the effect of financial risk. Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows.

A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

3. MATERIAL ACCOUNTING POLICIES (Contd.)

Reinsurance contracts held – initial measurement

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on to the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue. Where the Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss- recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the recovery of losses.

The Group calculates the loss-recovery component by multiplying the loss recognised on the underlying insurance contracts and the percentage of claims on the underlying insurance contracts the Group expects to recover from the group of reinsurance contracts held. The Group uses a systematic and rational method to determine the portion of losses recognised on the group to insurance contracts covered by the group of reinsurance contracts held where some contracts in the underlying group are not covered by the group of reinsurance contracts held. The loss-recovery component adjusts the carrying amount of the asset for remaining coverage

Insurance contracts – subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus any insurance acquisition cash flows at that date, unless the entity chooses to recognize the payment as an expense
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims if any

Insurance contracts – subsequent measurement

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group and include an explicit adjustment for non-financial risk (the risk adjustment). The Group adjusts the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected. Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – subsequent measurement

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.
Where the Group has established a loss-recovery component, the Group subsequently reduces the loss-recovery component to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.
The Group uses a systematic and rational method to allocate insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

- to that group; and
- to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of consolidated financial position, a separate asset for insurance acquisition cash flows is recognised for each related group. The asset for insurance acquisition cash flow is derecognised from the consolidated statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

3. MATERIAL ACCOUNTING POLICIES (Contd.)

Insurance contracts – modification and derecognition

The Group derecognises insurance contracts when the rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

e) Presentation

For presentation in the consolidated statement of financial position, the Group will aggregate insurance and reinsurance contracts issued and reinsurance contracts held, respectively and present separately:

- Portfolios of insurance and reinsurance contracts issued that are assets.
- Portfolios of insurance and reinsurance contracts issued that are liabilities.
- Portfolios of reinsurance contracts held that are assets.
- Portfolios of reinsurance contracts held that are liabilities.

The portfolios referred to above are those established at initial recognition in accordance with the IFRS 17 requirements. Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

I. Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component if any) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made based on the expected timing of incurred insurance service expenses and release of risk.

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

II. Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group as determined. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

III. Loss-recovery components

The Group recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or when further onerous underlying insurance contracts are added to a group, the Group establishes a loss-recovery component of the asset for remaining coverage for a group of reinsurance contracts held depicting the expected recovery of the losses.
A loss-recovery component is subsequently reduced to zero in line with reductions in the onerous group of underlying insurance contracts in order to reflect that the loss-recovery component shall not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that the entity expects to recover from the group of reinsurance contracts held.

IV. Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group does not disaggregates insurance finance income or expenses on insurance contracts between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in the profit or loss statement.

V. Net income or expense from reinsurance contracts held

The Group presents the amount expected to be recovered from reinsurers, and allocation of reinsurance premium paid together as Net income / (expense) from reinsurance contracts separately on the face of the consolidated statement of profit or loss. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the consolidated statement of profit or loss.

3. MATERIAL ACCOUNTING POLICIES (Contd.)

Financial instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Initial recognition
Financial assets and liabilities are initially recognised on the settlement date. The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVTPL, transaction costs are added to, or subtracted from the amount. Insurance receivables are measured at the transaction price. The Day 1 gain or loss is recognised when the fair value of financial instruments at initial recognition differs from the transaction price.

ii. Day 1 gain or loss
When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Group recognises the difference between the transaction price and fair value in the consolidated statement of profit or loss. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in the consolidated profit or loss when the inputs become observable, or when the instrument is derecognised.

iii. Measurement categories of financial assets and liabilities
The Group classifies financial assets based on the business model and the asset's contractual terms, measured at either:
- Amortised cost;
- Fair value through other comprehensive income (FVOCI); or
- Fair value through profit or loss (FVTPL)

The Group classifies and measures its trading portfolio at FVTPL. The Group may designate financial instruments at FVTPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.
Financial liabilities are measured at amortised cost.

Initial Recognition
a) Financial investments at amortised cost
The Group measures financial assets at amortised cost if both of the following conditions are met:

The financial asset is held within a business model with the objective 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 interest (SPPI) on the principal amount outstanding. The details of these conditions are outlined below.

i. Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the key management personnel. The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.

- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. MATERIAL ACCOUNTING POLICIES (Contd.)

ii. The SPPI test
As a second step of its classification process the Group assesses the contractual terms of financial assets to identify whether they meet the SPPI test. Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de-minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

b) Debt instruments at FVOCI
The Group classifies debt instruments measured at FVOCI when both of the following conditions are met:

The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
The contractual terms of the financial asset meet the SPPI test

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from the consolidated OCI to the consolidated profit or loss.

c) Financial assets and financial liabilities at fair value through profit or loss
Financial assets and financial liabilities in this category are those that are not held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

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

Financial assets and financial liabilities at FVTPL are recorded in the consolidated statement of financial position at fair value.

Interest earned or incurred on instruments designated at FVTPL is accrued in interest income or interest expense, respectively, using the effective interest rate (EIR), taking into account any discount/ premium and qualifying transaction costs being an integral part of instrument. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate. Dividend income from equity instruments measured at FVTPL is recorded in the consolidated profit or loss as other operating income when the right to the payment has been established.

Impairment of financial assets
The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost, debt instruments classified as FVOCI Assets migrate through the three stages based on the change in credit quality since initial recognition.

a) Overview
The Group recognise the allowance for expected credit losses for debt financial assets not held at FVTPL. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12m ECL). The 12 months ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

3. MATERIAL ACCOUNTING POLICIES (Contd.)

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Group categorizes its debt assets other than those classified FVTPL into stages as described below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the instrument has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset. The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

b) The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD") represents the carrying value at the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.
The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12 months ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in the consolidated OCI as an accumulated impairment amount, with a corresponding charge to the consolidated profit or loss. The accumulated loss recognised in OCI is recycled to the consolidated profit or loss upon derecognition of the assets.

3. MATERIAL ACCOUNTING POLICIES (Contd.)

c) Forward looking information

The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Inflation rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company and all of its subsidiaries made up to 31 December 2023.

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

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

The purchase method is used to account for acquisitions.

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

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

A listing of the principal subsidiaries is set out in note 33. In the parent company, these investments are accounted using the equity method under IAS 27, Separate Financial Statements.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

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

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

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

3. MATERIAL ACCOUNTING POLICIES (Contd.)

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

INVESTMENT PROPERTY

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

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

PROVISION FOR IMPAIRMENT OF FINANCIAL ASSETS

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

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

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

INVESTMENT IN ASSOCIATED COMPANIES

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

INTANGIBLE ASSETS

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

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

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

PROPERTY & EQUIPMENT

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

3. MATERIAL ACCOUNTING POLICIES (Contd.)

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

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

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

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

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

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

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

PROVISIONS

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

POST EMPLOYMENT OBLIGATIONS

The Group operates a defined benefit plan for its employees.

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

TREASURY STOCK

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

INVESTMENT INCOME

Investment income comprises interest and dividend receivable for the financial year. Interest is recognised on the effective interest rate method and dividends are recognised when declared. Gains and losses arising from changes in the fair value of investments at fair value through profit or loss are included in the statement of profit or loss in the period in which they arise. Gains and losses arising from changes in the fair value of available for sale investments (classified in IFRS 9 as fair value through other comprehensive income) are recognised in other comprehensive income and carried in investment revaluation income as part of equity. When available for sale investments are disposed or are impaired, the related fair value adjustments are included in the statement of profit or loss.

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

3. MATERIAL ACCOUNTING POLICIES (Contd.)

FOREIGN CURRENCY TRANSLATION

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements
Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

i) Notes 6 and 7 – impairment of financial assets: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL;

ii) Note 3 – classification of financial assets: assessing the business model within which the assets are held and whether the contractual terms of the assets are solely payments of principal and interest on the principal amount outstanding;

iii) Note 3 – classification of insurance, reinsurance contracts: assessing whether the contract transfers significant insurance risk and whether an insurance contract contains direct participation features;

iv) Note 3 – level of aggregation of insurance and reinsurance contracts: identifying portfolios of contracts and determining groups of contracts that are onerous on initial recognition and those that have no significant possibility of becoming onerous subsequently;

v) Note 2– transition to IFRS 17: determining whether sufficient reasonable and supportable information is available to apply a full or modified retrospective approach;

vi) Notes 13 and 3 – measurement of insurance and reinsurance contracts: determining the techniques for estimating risk adjustments for non-financial risk and the coverage units provided under a contract.

b. Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties at 31 December 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

i) Note 3 – impairment of financial assets: determination of inputs into the ECL measurement model, including key assumptions used in estimating recoverable cash flows and incorporation of forward-looking information;

ii) Notes 7 and 11 – measurement of the fair value of financial instruments and investment property respectively.

FOR THE YEAR ENDED 31 DECEMBER 2023

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (Contd.)

c. Going concern

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

As there are risks relating to contracts from both life & non-life book have not yet expired and will only expire after considerable time, Management expect that the proposed run-off of the existing insurance portfolio will take more than 12 months. The company is highly liquid with cash and short-term deposits (less than 3 months) of US$ 40.43 million as on 1 Jan 2024 and has surplus capital as compared to its book of business.

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

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

5. MANAGEMENT OF INSURANCE RISK

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

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

i) Underwriting risks:

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

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

Acceptance of risks that do not meet specified minimum criteria are subject to agreement of an Underwriting Review Committee comprising representatives from the Marketing, Underwriting and Actuarial functions. The reinsurance strategy of the Group is designed to protect exposures to individual and event risks based on current risk exposures through cost effective reinsurance arrangements.

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

ii) Credit risks:

Credit risk under insurance contracts is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk is controlled through terms of trade for receipt of premium and in certain cases enforcement of premium warranty conditions. Most of the counterparties are insurance companies that are generally not rated. However, there are no significant exposures from any one counterparty.

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

FOR THE YEAR ENDED 31 DECEMBER 2023

5. MANAGEMENT OF INSURANCE RISK (Contd.)

iii) Currency risks:

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

(US$ '000)

2023	**Euro**	**Pound Sterling**	**Indian Rupee**	**Kuwaiti Dinar**	**Other**
Reinsurance assets (liabilities), net	(176)	(1,094)	(2,910)	(8,377)	(10,823)

(US$ '000)

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

iv) Liquidity risks:

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

v) Sensitivity analysis:

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

(US$ '000)

	2023	2022
10% increase in US Dollar exchange rate	4,412	4,858
10% decrease in US Dollar exchange rate	**(5,392)**	(5,938)

The adoption of IFRS 9 has not had a material impact on the Group's basic or diluted EPS for the years ended 31 December 2023 and 2022.

FOR THE YEAR ENDED 31 DECEMBER 2023

5. MANAGEMENT OF INSURANCE RISK (Contd.)

The sensitivity based on PAA approach for insurance / reinsurance contract liabilities for parent company is shown below:

2023 (US$ '000)

PAA business	Changes in assumption %	Insurance contract liabilities	Reinsurance contract assets	Net liabilities
Discount rate +1%	1.0%	1,804	(156)	1,648
Discount rate -1%	-1.0%	(1,864)	161	(1,703)
Risk adjustment +2.5%	2.5%	(1,959)	175	(1,784)
Risk adjustment -2.5%	-2.5%	760	(43)	717

2022 (US$ '000)

PAA business	Changes in assumption %	Insurance contract liabilities	Reinsurance contract assets	Net liabilities
Discount rate +1%	1.0%	2,082	(164)	1,918
Discount rate -1%	-1.0%	(2,150)	169	(1,981)
Risk adjustment +2.5%	2.5%	(2,420)	233	(2,187)
Risk adjustment -2.5%	-2.5%	846	(33)	813

The impact on CSM, profit or loss and on equity for parent company is shown below:

2023 (US$ '000)

		Impact on CSM		Impact on p & l		Impact on equity	
GMM business	Changes in assumption %	Gross	Net	Gross	Net	Gross	Net
Risk adjustment -2.5%	-2.5%	15	15	85	85	85	85
Risk adjustment +2.5%	2.5%	(15)	(15)	(109)	(109)	(109)	(109)
Discount rate -1%	-1.0%	-	-	(282)	(282)	(282)	(282)
Discount rate +1%	1.0%	-	-	252	252	252	252

2022 (US$ '000)

		Impact on CSM		Impact on p & l		Impact on equity	
GMM business	Changes in assumption %	Gross	Net	Gross	Net	Gross	Net
Risk adjustment -2.5%	-2.5%	6	6	107	107	107	107
Risk adjustment +2.5%	2.5%	(6)	(6)	(132)	(132)	(132)	(132)
Discount rate -1%	-1.0%	-	-	(284)	(284)	(284)	(284)
Discount rate +1%	1.0%	-	-	256	256	256	256

FOR THE YEAR ENDED 31 DECEMBER 2023

5. MANAGEMENT OF INSURANCE RISK (Contd.)

2023			(US$ '000)
GMM business	Changes in assumption %	Insurance contract liabilities	Net Insurance liabilities
Risk adjustment -2.5%	-2.5%	85	85
Risk adjustment +2.5%	2.5%	(109)	(109)
Discount rate -1%	-1.0%	(282)	(282)
Discount rate +1%	1.0%	252	252

2022			(US$ '000)
GMM business	Changes in assumption %	Insurance contract liabilities	Net Insurance liabilities
Risk adjustment -2.5%	-2.5%	107	107
Risk adjustment +2.5%	2.5%	(132)	(132)
Discount rate -1%	-1.0%	(284)	(284)
Discount rate +1%	1.0%	256	256

6. CASH AND BANK BALANCES

(US$ '000)

	2023	2022
Cash and bank balances	40,432	31,244
Deposits with maturity of 3 months or less	-	31,000
Deposits with maturity over 3 months	179,145	152,897
	219,577	**215,141**

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

i) Credit risk:

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

ii) Interest rate risk:

(US$ '000)

	2023	2022
Interest receivable basis		
Bank balances	Daily/Monthly	Daily/Monthly
Deposits with short term maturities	On maturity	On maturity
Effective rates	0.01% - 6.5%	0.01% - 5.79%

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

FOR THE YEAR ENDED 31 DECEMBER 2023

6. CASH AND BANK BALANCES (Contd.)

iii) Currency risk:

(US$ '000)

	2023	2022
U.S. Dollar	201,147	206,637
UAE Dirham	10,298	189
Bahraini Dinar	6,610	6,898
Pound Sterling	983	932
Euro	347	282
Other	192	203
	219,577	**215,141**

7. INVESTMENTS

(US$ '000)

	2023	2022 (restated)
At fair value through profit or loss		
Debt securities		
- Investment grade	18,448	-
Common stock of unlisted companies	1,599	-
Other equity type investment	8,449	-
	28,496	-
At fair value through other comprehensive Income		
Debt securities		
- Supra-nationals and OECD country governments	50,254	27,005
- Investment grade	54,853	96,709
- Other	34,329	37,361
Common stock of unlisted companies	1,000	2,794
Other equity type investment	-	10,688
	140,436	174,557
Investment in associate	518	540
	169,450	175,097
Expected credit losses	(262)	(149)
	169,188	**174,948**

FOR THE YEAR ENDED 31 DECEMBER 2023

7. INVESTMENTS (Contd.)

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

i) Credit risk:

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

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

ii) Debt securities - interest rate risk:

		2023	
	Interest receivable basis	Effective Rates	Coupon Rates
Supra-nationals and OECD country government securities	Monthly/Semi-annual/Annual	3.875% - 5.000%	3.875% - 5.000%
Investment grade debt Securities	Monthly/Semi-annual/Annual	1.125% - 5.839%	1.125% - 5.839%
Other debt securities	Monthly/Semi-annual/Annual	1.740% - 5.500%	1.740% - 5.500%

		2022	
	Interest receivable basis	Effective Rates	Coupon Rates
Supra-nationals and OECD country government securities	Monthly/Semi-annual/Annual	0.375% - 0.500%	0.375% - 0.500%
Investment grade debt Securities	Monthly/Semi-annual/Annual	0.750% - 5.839%	0.750% - 5.839%
Other debt securities	Monthly/Semi-annual/Annual	1.740% - 5.500%	1.740% - 5.500%

iii) Debt securities - currency risk:

		2023	
	U.S. Dollar	Bahraini Dinar	Total
Supra-nationals and OECD country government securities	50,254	-	50,254
Investment grade debt Securities	73,301	-	73,301
Other debt securities	30,388	3,941	34,329
	153,943	**3,941**	**157,884**

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

FOR THE YEAR ENDED 31 DECEMBER 2023

7. INVESTMENTS (Contd.)

iv) Debt securities - remaining term to maturity:

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

(US$ '000)

	2023		2022	
	Principal Amount	Book value	Principal amount	Book value
Supra-nationals and OECD country government securities:				
- Due in one year or less	-	-	28,000	27,005
- One to five years	50,000	50,254	-	-
	50,000	50,254	28,000	27,005
Debt securities of investment grade issuers:				
- Due in one year or less	22,000	21,678	26,000	25,685
- One to five years	49,000	45,745	71,000	65,330
- More than five years	6,500	5,878	6,500	5,694
	77,500	73,301	103,500	96,709
Other debt securities:				
- Due in one year or less	944	-	4,944	3,977
- One to five years	36,482	34,329	36,482	33,384
	37,426	34,329	41,426	37,361
	164,926	**157,884**	**172,926**	**161,075**

v) Common stock:

Common stocks have no fixed maturity dates and are generally not exposed to interest rate risk. However, they are subject to price risk and its sensitivity is shown in note 8. Dividends are generally declared on an annual basis.

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

(US$ '000)

	2023	2022
U.S. Dollar	1,599	1,794
Other	1,000	1,000
	2,599	**2,794**

vi) Commitments outstanding:

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

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8. SENSITIVITY ANALYSIS

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

(US$ '000)

	2023		2022	
	Income	Equity	Income	Equity
Interest rate				
+ 100 basis points shift in yield curves-debt instruments	(336)	(3,481)	(25)	(4,149)
– 100 basis points shift in yield curves-debt instruments	339	1,622	25	2,294
Currency risk				
10% increase in US Dollar exchange rate	(2,034)	-	(1,131)	-
10% decrease in US Dollar exchange rate	2,486	-	1,382	-

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

(US$ '000)

2023

	LfRC*		LfIC for contracts measured under PAA		Total
	Excl. LC	LC*	PVCF*	RA*	
Opening reinsurance contract assets	(2,308)	-	8,228	26	5,946
Opening reinsurance contract liabilities	(1,424)	-	(114)	9	(1,529)
	(3,732)	-	8,114	35	4,417
Net income or expense from reinsurance contracts held					
- Allocation of reinsurer premium	(1,381)	-	-	-	(1,381)
- Changes that relate to past services-adjustments to LIC*	-	-	(244)	12	(232)
- Expenses directly attributable to reinsurance	-	-	(496)	-	(496)
Reinsurance finance income through profit or loss	-	-	380	-	380
Net foreign exchange income or expense	-	-	-	-	-
Total changes in statement of profit or loss and OCI*	**(1,381)**	**-**	**(360)**	**12**	**(1,729)**
Premiums paid to reinsurer net of commission	1,775	-	-	-	1,775
Directly attributable expenses paid	-	-	560	-	560
Recoveries from reinsurance	-	-	(704)	-	(704)
Total cash flows	**1,775**	**-**	**(144)**	**-**	**1,631**
Closing reinsurance contract assets	(757)	-	7,367	36	6,646
Closing reinsurance contract liabilities	(2,581)	-	243	11	(2,327)
	(3,338)	**-**	**7,610**	**47**	**4,319**

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9. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR REINSURANCE CONTRACTS (Contd.)

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

(US$ '000)

2022

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

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10. OTHER ASSETS

(US$ '000)

	2023	2022 (restated)
Intangible assets		
- Computer software	9,994	9,994
	9,994	9,994
Less: Accumulated amortization	(9,669)	(9,661)
	325	333
Other assets		
- Collateralised cash deposits	7,718	7,761
- Other receivables	359	94
- Prepayments	651	492
	8,728	8,347
	9,053	**8,680**
Movement in intangible assets:		
Net book value at 1 January	333	329
- Additions	-	17
- Amortization charge	(8)	(13)
Net book value at 31 December	**325**	**333**

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

11. INVESTMENT PROPERTY

(US$ '000)

	2023	2022
Carrying value at 1 January	4,754	4,622
Transferred from property and equipment	1,550	-
Sale of investment property	(6,130)	-
Reversal of Impairment	-	280
Depreciation	(174)	(148)
Carrying value at year-end	**-**	**4,754**

The Group's subsidiary Takaful Re Ltd, Dubai (TRL) has reclassified a portion of office premises sub-let by them to investment property in accordance with the requirement of IAS 40: Investment Property. Accordingly, the fair value of the sub-let property classified as investment property by TRL has been transferred from property and equipment to investment property.

Investment property is carried at cost less accumulated depreciation and impairment. The carrying value of investment property is nil as at 31 December 2023. The fair value measurement for 2022 has been categorised as Level 3.

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

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12. PROPERTY AND EQUIPMENT

(US$ '000)

	2023	2022
Land	1,972	1,972
Building	3,144	8,192
Furniture and fixtures	6,920	6,921
Hardware	2,270	2,290
Office equipments	460	460
Others	671	397
	15,437	**20,232**
Less: Accumulated depreciation and impairment		
Building	(160)	-
Furniture and fixtures	(6,908)	(6,907)
Hardware	(2,263)	(2,273)
Office equipments	(454)	(449)
Others	(397)	(334)
	(10,182)	(9,963)
	5,255	**10,269**
Movements in property and equipment:		
Net book value at 1 January	10,269	11,725
- Revaluation of property	-	(1,147)
- Transferred to investment property	(1,550)	-
- Sale of TRL office property	(3,401)	-
- Additions	274	33
- Disposals	-	(1)
- Depreciation charge	(337)	(341)
Net book value at 31 December	**5,255**	**10,269**

Land and Building comprise the head office property owned and occupied by the Company since 1984. Building also includes portion of office premises of TRL which is used for administration purpose. The sub-let portion of TRL office peremises with a net value of US$ 1.55 million has been transferred to investment property as detailed in note 11.

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

FOR THE YEAR ENDED 31 DECEMBER 2023

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

(US$ '000)

2023

	LfRC		LfIC for contracts measured under GMM*	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
Opening insurance contract assets of parent	-	-	-	-	-	-
Opening insurance contract liabilities of parent	7,881	-	(1,067)	(111,443)	(1,018)	(105,647)
	7,881	-	(1,067)	(111,443)	(1,018)	(105,647)
Insurance revenue	1,167	-	-	-	-	1,167
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(6,587)	-	(6,587)
- Changes that relate to past services - adjustment to LfIC	-	-	44	11,533	118	11,695
- Amortisation of insurance acquisition cash flows	(857)	-	-	-	-	(857)
Insurance finance expenses through profit or loss	(82)	-	(47)	(4,800)	-	(4,929)
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	(4)	-	-	-	-	(4)
Total changes in statement of profit or loss and OCI	**224**	**-**	**(3)**	**146**	**118**	**485**
Premiums received	(7,647)	-	-	-	-	(7,647)
Claims paid	-	-	96	8,756	-	8,852
Directly attributable expenses paid	-	-	-	7,442	-	7,442
Acquisition cost paid	980	-	-	-	-	980
Total cash flows	**(6,667)**	**-**	**96**	**16,198**	**-**	**9,627**
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	1,438	-	(974)	(95,099)	(900)	(95,535)
Insurance contract liabilities of parent	1,438	-	(974)	(95,099)	(900)	(95,535)
Technical reserve of subsidiaries	-	-	-	-	-	(1,101)
Account payables of subsidiaries	-	-	-	-	-	(356)
Total insurance contract liabilities	**-**	**-**	**-**	**-**	**-**	**(96,992)**

*GMM - General Measurement Model

FOR THE YEAR ENDED 31 DECEMBER 2023

13. MOVEMENT OF THE LIABILITY FOR REMAINING COVERAGE AND THE LIABILITY FOR INCURRED CLAIMS FOR INSURANCE CONTRACTS (Contd.)

(US$ '000)

2022

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

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14. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES

(US$ ‘000)

2023

	BEL*	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(4,917)	(730)	(446)	(6,093)
	(4,917)	(730)	(446)	(6,093)
Changes related to current services				
- CSM recognized in profit or loss	-	-	123	123
- Risk Adjustment recognized in profit or loss	-	(164)	-	(164)
- Experience adjustments	581	-	-	581
Changes related to future services				
- Change in estimates that adjust CSM	(262)	211	51	-
Changes that relate to past service - adjustments to LfIC	44	-	-	44
Insurance finance expenses through profit or loss	(126)	-	(3)	(129)
Total changes in statement of profit or loss and OCI	**237**	**47**	**171**	**455**
Premiums received	(22)	-	-	(22)
Claims paid	96	-	-	96
Acquisition cost paid	(32)	-	-	(32)
Total cash flows	**42**	**-**	**-**	**42**
Closing insurance contract assets	**-**	**-**	**-**	**-**
Closing insurance contract liabilities	(4,638)	(683)	(275)	(5,596)
	(4,638)	**(683)**	**(275)**	**(5,596)**

*BEL - Best estimate of liabilities

FOR THE YEAR ENDED 31 DECEMBER 2023

14. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES (Contd.)

(US$ '000)

2022

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

*BEL - Best estimate of liabilities

FOR THE YEAR ENDED 31 DECEMBER 2023

15. MOVEMENT OF CONTRACTUAL SERVICE MARGIN FOR TRANSITIONAL APPROACHES

(US$ '000)

	2023	2022
Contractual service Margin	Fair Value Approach (FVA)	
Opening balance	446	257
Change related to current services		
- CSM recognized in profit or loss	(123)	(82)
Changes related to future services		
- Changes in estimates that adjust CSM	(51)	268
- Change in estimates that result in onerous contract or reversal of losses	3	-
Insurance finance expenses through profit or loss	-	3
Net foreign exchange income or expense	(275)	-
Closing balance	**-**	**446**
Insurance Revenue	**-**	**920**

16. CLAIMS DEVELOPMENT

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

(US$ '000)

	Underwriting year						
	2018	2019	2020	2021	2022	2023	**Total**
Gross							
Estimate of incurred claims costs:							
- At end of underwriting year	98,051	55,541	1,474	-	-	-	
- One year later	198,985	112,330	1,033	-	-	-	
- Two years later	206,944	110,136	845	-	-	-	
- Three years later	204,591	112,572	773	-	-	-	
- Four years later	201,385	40,198	-	-	-	-	
- Five years later	93,978	-	-	-	-	-	
Current estimate of incurred claims	93,978	40,198	773	-	-	-	134,949
Cumulative payments to date	(75,517)	(31,677)	(142)				(107,336)
Liability recognized	18,461	8,521	631	-	-	-	27,613
Liability in respect of prior years							83,530
Total liability included in the statement of financial position							**111,143**

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16. CLAIMS DEVELOPMENT (Contd.)

(US$ '000)

	Underwriting year						
	2018	2019	2020	2021	2022	2023	**Total**
Net							
Estimate of incurred claims costs:							
- At end of underwriting year	84,203	48,217	1,474	-	-	-	
- One year later	151,704	92,768	1,033	-	-	-	
- Two years later	156,533	96,171	845	-	-	-	
- Three years later	156,231	89,262	773	-	-	-	
- Four years later	152,566	39,772	-	-	-	-	
- Five years later	89,493	-	-	-	-	-	
Current estimate of incurred claims	89,493	39,772	773	-	-	-	130,038
Cumulative payments to date	(72,115)	(31,322)	(142)	-	-	-	(103,579)
Liability recognized	17,378	8,450	631	-	-	-	26,459
Liability in respect of prior years							78,662
Total liability included in the statement of financial position							**105,121**

17. OTHER LIABILITIES

(US$ '000)

	2023	2022 (restated)
Provision for probable loss estimates in a subsidiary (note 33 (iii))	3,613	5,113
Provision for doubtful receivables	1,572	-
Accrued expenses	1,049	2,703
Dividends payable	234	234
Other	979	1,320
	7,447	**9,370**
Balances due:		
- Within 12 months	7,310	9,258
- After 12 months	137	112
	7,447	**9,370**

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18. SHAREHOLDERS' EQUITY

i) Share capital:

a) Composition (US$ '000)

	2023	2022
Authorised		
500 million ordinary shares of US$ 1 each	500,000	500,000
Issued, Subscribed and Fully Paid-up		
220 million (2022: 220 million) ordinary shares of US$ 1 each	220,000	220,000

The company's shares are listed on Bahrain Bourse.

b) Major Shareholders

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

Name	Nationality	No. of shares (in millions)		% of total outstanding shares		% of total issued shares	
		2023	2022	2023	2022	2023	2022
Central Bank of Libya	Libya	31.8	31.8	16.1	16.0	14.5	14.4
Emirates Investment Authority	UAE	30.5	30.5	15.4	15.4	13.8	13.8
General Pension & Social Security Authority	UAE	27.5	27.5	13.9	13.9	12.5	12.5
Ahmed Omar Salem Alkorbi	UAE	21.7	21.7	10.9	10.9	9.9	9.9
Kuwait Investment Authority	Kuwait	20.0	20.0	10.1	10.1	9.1	9.1
Emirates Development Bank	UAE	11.0	11.0	5.6	5.6	5.0	5 .0

c) Shareholding pattern

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

Shares	No. of shares (in millions)		No. of shareholders		% of total outstanding shares	
	2023	2022	2023	2022	2023	2022
Less than 1%	40.5	45	4,244	4,248	20.4%	22.7%
1% to 5%	15.1	10.6	5	3	7.6%	5.4%
5% to 10%	11.0	11.0	1	1	5.6%	5.6%
10% and above	131.5	131.5	5	5	66.4%	66.3%

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18. SHAREHOLDERS' EQUITY (Contd.)

ii) Treasury stock:

The Company held 21,885,118 of its own shares at 31 December 2023 (2022: 21,885,118 shares) which are carried at cost of US$ 14,793,000 (2022: US$ 14,793,000).

iii) Legal reserve:

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

iv) Investment revaluation reserve:

Investment revaluation reserve comprises gains or losses arising from remeasurement of available for sale investment assets (classified in IFRS 9 as fair value throught other comprehensive income). These gains or losses are carried in the reserve until the assets are disposed of, at which time the gains or losses are included in profit or loss.

v) Property revaluation reserve:

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

vi) Capital management:

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

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

19. NON-CONTROLLING INTERESTS

(US$ '000)

	2023	2022
At 1 January	12,776	12,815
Share of comprehensive income	424	(39)
At 31 December	**13,200**	**12,776**

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20. INSURANCE REVENUE

(US$ '000)

	2023	2022 (restated)
Amounts relating to change in LfRC		
- Expected benefits incurred	533	588
- Expected expenses incurred	91	90
- Change in the risk adjustment	(164)	204
- CSM recognized	123	82
Experience adjustments	(42)	(44)
Contracts not measured under PAA	**541**	**920**
Contracts measured under PAA	626	1,970
Insurance revenue of parent	1,167	2,890
Insurance revenue of subsidiaries	-	1,885
Total insurance revenue	**1,167**	**4,775**

21. INSURANCE SERVICE EXPENSES

(US$ '000)

	2023	2022 (restated)
Incurred benefits	-	-
Incurred directly attributable expenses	6,586	6,411
Changes that relates to past services - adjustment to LfIC	(11,695)	(23,851)
Insurance acquisition costs	857	(378)
Insurance service expense of parent	(4,252)	(17,818)
Insurance service expense of subsidiaries	706	(394)
Total insurance service expense	**(3,546)**	**(18,212)**

22. NET EXPENSE OR INCOME FROM REINSURANCE CONTRACTS HELD

(US$ '000)

	2023	2022 (restated)
Expected expenses for contracts not measured under PAA		
- Expected recovery of claims and other expenses	-	-
- Change in the risk adjustment	-	-
- CSM recognized	-	-
- Experience adjustments	-	-
Expected expenses for contracts measured under PAA	1,382	1,581
Allocation of reinsurer premium	**1,382**	**1,581**
Amounts recovered for claims and other expenses	-	-
Incurred directly attributable expenses	496	483
Changes that relate to past service – recoverable claims and other expenses	233	1,334
Changes in fulfilment cash flows that do not adjust underlying CSM	-	-
Effect of changes in the risk of reinsurers non-performance	-	-
Amounts recoverable from reinsurer and incurred expenses	**729**	**1,817**
Net expense from reinsurance contracts held	**2,111**	**3,398**

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23. SEGMENT INFORMATION

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

i) ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

2023

(US$ '000)

	Non-life					Life		Unallocated operating expenses of subsidiaries	Total
	Property	Engi-neering	Marine	Accident	Others	Short term	Long term		
Insurance revenue	119	427	(210)	(25)	295	20	541	-	1,167
Insurance service expense	1,356	591	974	920	697	(9)	44	(1,027)	3,546
Net income or expense from reinsurance contracts held	(172)	(1,476)	137	-	(495)	(105)	-	-	(2,111)
Insurance service result	**1,303**	**(458)**	**901**	**895**	**497**	**(94)**	**585**	**(1,027)**	**2,602**
Insurance finance expenses	(1,022)	(1,060)	(350)	(188)	(1,857)	(328)	(129)	-	(4,934)
Reinsurance finance income	41	74	23	-	242	1	-	-	381
	(981)	**(986)**	**(327)**	**(188)**	**(1,615)**	**(327)**	**(129)**	**-**	**(4,553)**

i) ANALYSIS OF REVENUE BY PRIMARY BUSINESS SEGMENT:

(US$ '000)

2022 (restated)

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

FOR THE YEAR ENDED 31 DECEMBER 2023

23. SEGMENT INFORMATION (CONTD.)

ii) Analysis of segment assets and liabilities:

(US$ '000)

2023

	Non-life					Life			
	Property	Engi-neering	Marine	Accident	Others	Short term	Long term	Corporate	Total
Reinsurance contract assets	200	(1,028)	700	-	4,435	12	-	-	4,319
Cash	11,937	11,482	6,220	4,219	10,433	5,420	10,406	159,460	219,577
Investments	9,566	9,283	4,703	3,206	15,608	4,485	8,612	113,725	169,188
Other	-	-	-	-	-	-	-	19,032	19,032
	21,703	**19,737**	**11,623**	**7,425**	**30,476**	**9,917**	**19,018**	**292,217**	**412,116**
Insurance contract liabilites	20,308	19,457	6,179	2,923	35,067	7,463	5,595	-	96,992
Other	-	-	-	-	-	-	-	7,447	7,447
	20,308	**19,457**	**6,179**	**2,923**	**35,067**	**7,463**	**5,595**	**7,447**	**104,439**

ii) Analysis of segment assets and liabilities:

(US$ '000)

2022 (restated)

	Non-life					Life			
	Property	Engi-neering	Marine	Accident	Others	Short term	Long term	Corporate	Total
Reinsurance contract assets	337	357	540	-	3,170	13	-	-	4,417
Cash	14,968	13,839	7,186	5,921	12,380	5,436	10,915	144,496	215,141
Investments	12,214	11,187	5,640	4,634	17,238	4,529	9,098	110,557	174,948
Other	-	-	-	-	-	-	-	26,893	26,893
	27,519	**25,383**	**13,366**	**10,555**	**32,788**	**9,978**	**20,013**	**281,797**	**421,399**
Insurance contract liabilites	23,281	22,239	7,394	4,014	42,014	7,588	6,092	-	112,622
Other	-	-	-	-	-	-	-	9,370	9,370
	23,281	**22,239**	**7,394**	**4,014**	**42,014**	**7,588**	**6,092**	**9,370**	**121,992**

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24. INVESTMENT INCOME

(US$ '000)

	2023	2022 (restated)
Interest income		
- Investment designated at fair value through profit or loss	892	698
- Cash and bank deposits	9,905	2,784
- Investment designated at fair value through other comprehensive income	3,574	5,832
Realised gain on investment		
- At fair value through other comprehensive income	452	1,776
- Designated at fair value through profit or loss	1,001	4,045
Unrealized loss on Investment designated at fair value through profit or loss	(793)	(9,112)
Impairment loss on investment at fair value through other comprehensive income		
- Debt securities	-	(2,375)
- Other	-	(404)
(Loss) income from associate	(22)	64
Other	(266)	(1,731)
	14,743	**1,577**

25. INSURANCE FINANCE EXPENSES

(US$ '000)

	2023	2022 (restated)
Interest accreted to insurance contracts	5,908	1,791
Change in financial assumption through P&L	(901)	(8,078)
Change in financial assumption through OCI	-	-
Effect of unlocking CSM at looked-in rates and FCF at current rates	(77)	-
Net foreign exchange income or expense	4	13
Total insurance finance expense	**4,934**	**(6,274)**

26. REINSURANCE FINANCE INCOME

(US$ '000)

	2023	2022 (restated)
Interest accreted to reinsurance contracts	458	121
Change in financial assumption through P&L	(77)	(589)
Net foreign exchange income or expense	-	2
Total reinsurance finance income	**381**	**(466)**

27. OTHER EXPENSES AND PROVISIONS

(US$ '000)

	2023	2022 (restated)
Foreign exchange loss	-	1,200
Investment property impairment and depreciation (write back)	174	(132)
Operating expenses of non-insurance subsidiary	723	840
Provision for doubtful receivable & deposits	63	53
Other, net	1,385	1,821
Total other expenses and provisions	**2,345**	**3,782**

FOR THE YEAR ENDED 31 DECEMBER 2023

28. OTHER INCOME

(US$ ‘000)

	2023	2022 (restated)
Foreign exchange gain	397	-
Third party administration services	58	172
Reversal of provisions	1,500	5,205
Sale of TRL property	1,074	-
Other	847	896
Total other income	**3,876**	**6,273**

29. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

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

		2023	2022 (restated)
Weighted average number of shares outstanding	’000	198,115	198,115
Net profit	US$’000	13,978	29,183
Earnings per share	US cents	7.1	14.7

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

(US$ ‘000)

	2023	2022 (restated)
Profit for the year	14,323	29,465
Change in insurance funds	(17,342)	(98,633)
Change in insurance receivable/payable, net	2,696	(3,921)
Change in accrued income	(1,188)	(1,298)
Change in other assets/liabilities, net	(13,439)	50,397
Net cash used in operating activities	**(14,950)**	**(23,990)**

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

(US$ ‘000)

	Dividends	Non-controlling Interest
Balances at 31 December 2022	234	12,776
Share of comprehensive income	-	424
Balances at 31 December 2023	**234**	**13,200**
Balances at 31 December 2021	234	12,815
Share of comprehensive income	-	(39)
Balances at 31 December 2022	234	12,776

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32. FAIR VALUE DISCLOSURE

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

(US$ '000)

2023	Book Value				
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total	Fair value
ASSETS					
Cash and cash equivalents	-	-	219,577	219,577	219,577
Investment assets	28,496	140,436	-	168,932	168,932
Accrued interest	-	-	4,634	4,634	4,634
Reinsurance contract assets	-	-	4,319	4,319	4,319
Non-insurance deposits	-	-	90	90	90
Other assets	-	-	8,077	8,077	8,077
LIABILITIES					
Insurance contract liabilities	-	-	96,992	96,992	96,992
Other liabilities	-	-	1,213	1,213	1,213

(US$ '000)

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

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

FOR THE YEAR ENDED 31 DECEMBER 2023

32. FAIR VALUE DISCLOSURE (Contd.)

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

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

Hence, the fair value measurement details are not disclosed.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. as derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

- Level 3: valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted market prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

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

(US$ '000)

2023	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	18,448	-	-	18,448
Common stock of unlisted companies	-	-	1,599	1,599
Other	-	-	8,449	8,449
	-	-	-	-
At fair value through other comprehensive income	-	-	-	-
Debt securities	135,495	3,941	-	139,436
Common stock of unlisted companies	-	-	1,000	1,000
	153,943	**3,941**	**11,048**	**168,932**

(US$ '000)

2022	Level 1	Level 2	Level 3	Total
At fair value through other comprehensive income				
Debt securities	67,009	94,066	-	161,075
Common stock of unlisted companies	-	-	2,794	2,794
Other	-	-	10,688	10,688
	67,009	**94,066**	**13,482**	**174,557**

FOR THE YEAR ENDED 31 DECEMBER 2023

32. FAIR VALUE DISCLOSURE (Contd.)

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

(US$ '000)

2023	Unlisted equity	Other	Total
Balances at 1 January 2023	2,794	10,688	13,482
Loss on fair value movement	(162)	(848)	(1,010)
Investments made during the year	26	163	189
Investments redeemed during the year	(59)	(1,554)	(1,613)
Balances at 31 December 2023	**2,599**	**8,449**	**11,048**

(US$ '000)

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

The carrying values of the investment held in level 3 are based on unobservable inputs and reflects proportional share of the fair values of the respective companies and their underlying net assets. The Group does not expect the fair value of assets under level 2 & level 3 to change significantly on changing one or more of the observable / unobservable inputs. The valuations of these investments are reviewed quarterly and updated as necessary on the basis of information received from investee and investment managers. The Group recognises transfers between levels of the fair value hierarchy at the end of reporting period during which the change occurred. For the year ended 31 December 2023, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2022: nil). The fair values are estimates and do not necessarily represent the price at which the investment would sell. As the determination of fair values involve subjective judgments, and given the inherent uncertainty of assumptions regarding capitalisation rates, discount rates, leasing and other factors, the amount which will be realized by the Company on the disposal of its investments may differ significantly from the values at which they are carried in the consolidated financial statements, and the difference could be material.

iii) Fair value less than carrying amounts:

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

33. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 31 December 2023, the principal subsidiaries of the Company were:

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

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33. PRINCIPAL SUBSIDIARIES & ASSOCIATES (Contd.)

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2022. The Company holds 49% of the equity shares in its associate company Arima Insurance software W.L.L.

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

ii) Interest in subsidiaries: Takaful Re Limited

(US$ '000)

	2023	2022
Non-controlling interests	46%	46%
Total assets	37,962	37,411
Total liabilities	9,266	9,637
Net Assets	**28,696**	**27,774**
Revenue	-	(23)
Profit for the year	750	613
Total comprehensive income	922	(85)
Comprehensive income attributable to non-controlling interests	424	(39)
Net cash used in operating activities	(1,026)	(1,380)
Net cash provided by (used in) investing activities	11,350	(5,305)
Net increase (decrease) in cash and cash equivalents	**10,324**	**(6,685)**

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

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

The Group's subsidiary's GWL in 2018, based on management's assessments had provided for probable loss of US$ 21.5 million. Following settlement of certain liabilities the provision has been reduced to US$ 3.6 million in the books of the subsidiary and consequently in the consolidated financial statements of the Group for the year ended 31 December 2023. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

34. RELATED PARTY TRANSACTIONS

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

Government of UAE controls 31.3% of issued shares in the Group through major shareholders Emirates Investment Authority, General Pension and Social Security Authority and Emirates Development Bank while Government of Libya controls 14.5% of issued shares in the Group through Central Bank of Libya. The Group does not have any significant transactions with these governments and entities controlled, jointly controlled or significantly influenced by these governments.

The following is the summary of transactions with related parties:

i) Associate companies:

(US$ '000)

	2023	2022
a) Service fees for administration services provided by associate	276	388
b) Balances outstanding - Payables	53	84

FOR THE YEAR ENDED 31 DECEMBER 2023

34. RELATED PARTY TRANSACTIONS (Contd.)

ii) Compensation to directors and key management personnel:

(US$ '000)

	2023	2022
a) Directors		
- Remuneration proposed	285	740
- Attendance fees	315	297
- Travel expenses	175	125
b) Key management compensation		
- Salaries and other short-term employee benefits	414	347
- Post-employment benefits	53	120
- Others	15	15
c) Balances payable to key management	208	355

35. PARENT COMPANY

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

(US$ '000)

	Note	2023	2022 (restated)
ASSETS			
Cash and bank balances		195,499	201,272
Investments		161,993	167,805
Accrued interest		4,450	2,964
Reinsurance contract assets		4,319	4,417
Other assets		31,928	21,516
Investment in subsidiaries		16,015	15,538
Property and equipment		4,991	5,222
TOTAL ASSETS		**419,195**	**418,734**
LIABILITIES			
Insurance contract liabilities		95,535	105,647
Other liabilities		29,007	28,537
TOTAL LIABILITIES		**124,542**	**134,184**
SHAREHOLDERS' EQUITY	18		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Fair value reserve		234	156
Other reserves		44,078	41,671
Retained earnings		45,134	37,516
TOTAL SHAREHOLDER'S EQUITY		294,653	284,550
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		**419,195**	**418,734**

36. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

The directors propose to recommend the following appropriations for approval of shareholders at the Annual General Assembly meeting to be held on 28 March 2024:

(US$ '000)

Cash dividend of US$ 0.20 per share of US$ 1 each	44,000
Directors' remuneration	285

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