

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

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Director

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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:		
Non-controlling interests		424 (39)
Shareholders of parent company		17,752 12,949
		18,176 12,910

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

(US\$ '000)

	Reserves									
	Share Capital	Treasury Stock	Legal	Investment revaluation	Property revaluation	Total	Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
2023										
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)

	Reserves									
	Share Capital	Treasury Stock	Legal	Investment revaluation	Property revaluation	Total	Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
2022 (restated)										
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

NOTES TO THE 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 through 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 with banks	Loans & Receivables	Amortised cost	183,897	-	-	183,897
Other receivables	Loans & Receivables	Amortised cost	-	-	-	-
<i>Financial investments</i>						
Debt securities	Held to maturity	Amortised cost	-	-	-	-
Debt securities	FVTPL	FVTPL	-	-	-	-
Debt securities	Available for sale	FVOCI	116,055	(149)	-	115,906
Debt securities	Available 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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) Measurement - 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 disaggregate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)
GMM business	Changes in assumption %	Impact on CSM		Impact on p & l		Impact on equity	
		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)
GMM business	Changes in assumption %	Impact on CSM		Impact on p & l		Impact on equity	
		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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 premises 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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 through 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

20. INSURANCE REVENUE

	2023	(US\$ '000) 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

	2023	(US\$ '000) 2022 (restated)
Incurred benefits	-	-
Incurred directly attributable expenses	6,586	6,411
Changes that relates to past services - adjustment to LfC	(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

	2023	(US\$ '000) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

23. SEGMENT INFORMATION (CONTD.)

ii) Analysis of segment assets and liabilities:

(US\$ '000)

2023

	Non-life					Life		Corporate	Total
	Property	Engi- neering	Marine	Accident	Others	Short term	Long term		
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 liabilities	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		Corporate	Total
	Property	Engi- neering	Marine	Accident	Others	Short term	Long term		
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 liabilities	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

24. INVESTMENT INCOME

	2023	(US\$ '000) 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

	2023	(US\$ '000) 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

	2023	(US\$ '000) 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

	2023	(US\$ '000) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

28. OTHER INCOME

	2023	(US\$ '000) 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

	2023	(US\$ '000) 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

	Dividends	(US\$ '000) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

32. FAIR VALUE DISCLOSURE

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

(US\$ '000)

	Book Value				Fair value
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total	
2023					
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)

	Book Value				Fair value
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost	Total	
2022 (restated)					
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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

34. RELATED PARTY TRANSACTIONS (Contd.)

ii) Compensation to directors and key management personnel:

	2023	2022
		(US\$ '000)
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.

	Note	2023	2022
			(US\$ '000)
			(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