

CONSOLIDATED FINANCIAL STATEMENT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2024

	Note	2024	(US\$'000) 2023
ASSETS			
Cash and bank balances	6	53,430	219,577
Investments	7	306,594	169,188
Accrued interest		2,596	4,634
Reinsurance contract assets	9	3,645	4,319
Non-insurance deposits		13	90
Other assets	10	1,139	9,053
Property and equipment	11	5,058	5,255
TOTAL ASSETS		372,475	412,116
LIABILITIES AND EQUITY			
LIABILITIES			
Insurance contract liabilities	12	77,793	96,992
Other liabilities	16	4,196	7,447
TOTAL LIABILITIES		81,989	104,439
EQUITY			
Attributable to shareholders of parent company	17		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		48,146	44,221
Retained earnings		29,411	45,049
		282,764	294,477
Non-controlling interests	18	7,722	13,200
TOTAL EQUITY		290,486	307,677
TOTAL LIABILITIES AND EQUITY		372,475	412,116

These consolidated financial statements were approved by the Board of Directors on 24 February 2025 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

AS AT 31 DECEMBER 2024

	Note	2024	(US\$'000) 2023
Insurance revenue	19	1,615	1,167
Insurance service expenses	20	8,243	3,546
Net expense from reinsurance contracts held	21	(2,512)	(2,111)
Insurance service result		7,346	2,602
Investment income	23	14,727	14,743
Insurance finance expenses	24	(3,983)	(4,934)
Reinsurance finance income	25	316	381
Financial insurance result		11,060	10,190
Other expenses and provisions	26	(3,037)	(2,345)
Other income	27	11,019	3,876
Profit for the year		26,388	14,323
Attributable to:			
Non-controlling interests		(54)	345
Shareholders of parent company		26,442	13,978
		26,388	14,323
Earnings per share attributable to shareholders (basic and diluted):	28 (US cents)	13.3	7.1

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CONSOLIDATED STATEMENT OF COMPREHNSIVE INCOME

AS AT 31 DECEMBER 2024

	Note	2024	(US\$'000) 2023
Profit for the year		26,388	14,323
Other comprehensive income			
Items that will be reclassified to profit or loss:			
Fair value changes on investment at fair value through other comprehensive income		1,747	4,305
Transfers for recognition of gains on disposal of debt investments at fair value through other comprehensive income	23	(183)	(452)
Other comprehensive income for the year		1,564	3,853
Total comprehensive income for the year		27,952	18,176
Attributable to:			
Non-controlling interests		42	424
Shareholders of parent company		27,910	17,752
		27,952	18,176

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Acting Chief Executive Officer

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 31 DECEMBER 2024

(US\$'000)

	Share Capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
2024										
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
Net profit (loss) for the year	-	-	-	-	-	-	26,442	26,442	(54)	26,388
Fair value changes on investment at fair value through other comprehensive income	-	-	-	1,651	-	1,651	-	1,651	96	1,747
Transfer for recognition of gains on disposal of debt investments at fair value through other comprehensive income	-	-	-	(183)	-	(183)	-	(183)	-	(183)
Total comprehensive income for the year	-	-	-	1,468	-	1,468	26,442	27,910	42	27,952
Dividends paid	-	-	-	-	-	-	(39,623)	(39,623)	-	(39,623)
Transfer of net depreciation on revalued property	-	-	-	-	(187)	(187)	187	-	-	-
Transfer to (from) non-distributable reserves	-	-	2,644	-	-	2,644	(2,644)	-	-	-
Subsidiary's capital reduction (note 32(i))	-	-	-	-	-	-	-	-	(5,520)	(5,520)
Balances at 31 December 2024	220,000	(14,793)	47,292	(1,499)	2,353	48,146	29,411	282,764	7,722	290,486

(US\$'000)

	Share Capital	Treasury Stock	Reserves				Retained earnings	Attributable to shareholders of parent company	Non-controlling interests	Total equity
			Legal	Investment revaluation	Property revaluation	Total				
2023										
Balances at 31 December 2022, as previously reported	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	-	-	-	(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
Transfer 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 paid	-	-	-	-	-	-	(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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 DECEMBER 2024

	Note	2024	(US\$'000) 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Premiums received		1,075	(1,625)
Reinsurance premiums paid		(1,394)	(1,331)
Claims and acquisition costs paid		(7,359)	(10,382)
Reinsurance receipts in respect of claims		275	2,600
Investment income		291	1,692
Interest received		888	757
Operating expenses paid		(8,213)	(10,505)
Other income (expenses), net		5,922	1,073
Insurance deposits received (paid), net		508	959
Purchase of investments at fair value through profit or loss		(62)	(240)
Sale of investments at fair value through profit or loss		1,647	2,052
Net cash used in operating activities	29	(6,422)	(14,950)
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity/sale of investments		26,909	55,130
Purchase of investments		(165,199)	(50,099)
Term deposits with bank		158,240	(26,248)
Interest received		16,357	12,059
Investment income		8	1,445
Collateralised cash deposits		7,376	43
(Purchase) sale of property and equipment		(16)	3,823
Purchase of intangible assets		(17)	-
Sale of investment property		-	6,889
Net cash provided by investing activities		43,658	3,042
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(39,623)	(9,906)
Subsidiary's capital reduction - minority interests		(5,520)	-
Net cash used in financing activities		(45,143)	(9,906)
Net decrease in cash and cash equivalents		(7,907)	(21,814)
Effect of exchange rate on cash and cash equivalents		-	2
Cash and cash equivalents, beginning of year		40,432	62,244
Cash and cash equivalents, end of year		32,525	40,432
Term deposits with bank		20,905	179,145
Cash and bank balances, end of year		53,430	219,577

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 2024

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.

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 24 February 2025.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

2. BASIS OF ACCOUNTING AND MEASUREMENT (CONTD.)

c) Improvements / amendments to IFRS Accounting Standards

Improvements/amendments to IFRS Accounting standards contained numerous amendments to IFRS Accounting standards that the IASB considers non-urgent but necessary. 'Improvements to IFRS Accounting standards' comprise amendments that result in accounting changes to presentation, recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS Accounting standards. The amendments are effective for the Group's future accounting year with earlier adoption.

Standards, amendments and interpretations issued and effective in 2024 but not relevant

The following new amendments to existing standards and interpretations to published standards are mandatory for accounting period beginning on or after 1 January 2024 or subsequent periods, but are not relevant to the Group's operations:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 1	Presentation of financial statements	1 January 2024
IAS 7	Statement of Cash Flows	1 January 2024
IFRS 7	Financial Instruments: Disclosures	1 January 2024
IFRS 16	Leases	1 January 2024

Standards, amendments and interpretations issued but not yet effective in 2024

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 31 December 2024. They have not been adopted in preparing these financial statements for the year ended 31 December 2024 and will or may have an effect on the Group's future financial statements. In all cases, the Group intends to apply these standards from application date as indicated in the table below:

Standard or Interpretation	Title	Effective for annual periods beginning on or after
IAS 21	The Effects of Changes in Foreign Exchange Rates	1 January 2025
IFRS 9	Financial Instruments	1 January 2026
IFRS 7	Financial Instruments: Disclosures	1 January 2026
IAS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

Early adoption of amendments or standards in 2024

The Group did not early-adopt any new or amended standards in 2024. There would have been no change in the operational results of the Group for the year ended 31 December 2024 had the Group early adopted any of the above standards applicable to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the parent company and all of its subsidiaries made up to 31 December 2024.

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, except for Takaful Re Limited which are prepared under non going concern basis and not under IFRS 17.

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 32. In the parent company, these investments are accounted using the equity method under IAS 27, Separate Financial Statements.

INSURANCE CONTRACT ASSETS AND LIABILITIES

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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) Premium Allocation Approach (PAA)

The following table summarises the accounting policy choices adopted by the Group:

	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
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

	IFRS 17 Options	Adopted approach
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

e) 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.

f) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

g) 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

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.

h) 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.

i) 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.

j) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

k) 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 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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.

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 31).

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

INTANGIBLE ASSETS

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

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

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

PROPERTY & EQUIPMENT

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

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

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

Useful lives and residual values are reassessed at each reporting period and adjusted accordingly. At each reporting date, the Group reviews the carrying amounts to determine whether there is any indication of impairment. If any such indication exists, then the assets recoverable amount is estimated.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONTD.)

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.

During the year ended 31 December 2024, in accordance with the change in the Social Insurance Organisation ("SIO") regulations made through resolution no. 109 of 2023, effective from 1 March 2024, the employer needs to pay the end-of-service contribution to SIO in accordance with the provisions of the Bahrain Labour Law in respect of the expatriate employees registered with SIO. SIO shall disburse the contributed amount to employees on completion of the employment term. The amount accrued by the Company until 28 February 2024 and the excess amount after the SIO contribution, shall be maintained and settled by the Company with the respective employee.

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 investments designated at 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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) Notes 12 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 2024 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) Note 7 - measurement of the fair value of financial instruments.

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\$ 32.5 million as on 1 Jan 2025 and has surplus capital as compared to its book of business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

4. ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTD.)

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 2024

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)					
2024	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
Reinsurance assets (liabilities), net	106	(1,313)	(2,332)	(6,675)	(9,928)
(US\$ '000)					
2023	Euro	Pound Sterling	Indian Rupee	Kuwaiti Dinar	Other
Reinsurance assets (liabilities), net	(176)	(1,094)	(2,910)	(8,377)	(10,823)

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)		
	2024	2023
10% increase in US Dollar exchange rate	3,525	4,412
10% decrease in US Dollar exchange rate	(4,308)	(5,392)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE RISK (CONTD.)

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

2024 (US\$ '000)				
PAA business	Changes in assumption %	Insurance contract liabilities	Reinsurance contract assets	Net liabilities
Discount rate +1%	1.0%	1,446	(140)	1,306
Discount rate -1%	-1.0%	(1,494)	144	(1,350)
Risk adjustment +2.5%	2.5%	(1,537)	165	(1,371)
Risk adjustment -2.5%	-2.5%	459	(23)	436

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

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

2024 (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%	10	10	57	57	57	57
Risk adjustment +2.5%	2.5%	(10)	(10)	(81)	(81)	(81)	(81)
Discount rate -1%	-1.0%	-	-	(167)	(167)	(167)	(167)
Discount rate +1%	1.0%	-	-	152	152	152	152

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

5. MANAGEMENT OF INSURANCE RISK (CONTD.)

2024

(US\$ '000)

GMM business	Changes in assumption %	Insurance contract liabilities	Net Insurance liabilities
Risk adjustment -2.5%	-2.5%	57	57
Risk adjustment +2.5%	2.5%	(81)	(81)
Discount rate -1%	-1.0%	(167)	(167)
Discount rate +1%	1.0%	152	152

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

6. CASH AND BANK BALANCES

(US\$ '000)

	2024	2023
Cash and bank balances	28,525	40,432
Deposits with maturity of 3 months or less	4,000	-
Deposits with maturity over 3 months	20,905	179,145
	53,430	219,577

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)

	2024	2023
Interest receivable basis:		
- Bank balances	Daily/Monthly	Daily/Monthly
- Deposits with short term maturities	On maturity	On maturity
Effective rates	0.01% - 5.05%	0.01% - 6.5%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

6. CASH AND BANK BALANCES (CONTD.)

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

iii) Currency risk:

	(US\$ '000)	
	2024	2023
U.S. Dollar	48,399	201,147
UAE Dirham	367	10,298
Bahraini Dinar	3,916	6,610
Pound Sterling	306	983
Euro	273	347
Other	169	192
	53,430	219,577

7. INVESTMENTS

	(US\$ '000)	
	2024	2023
At fair value through profit or loss		
Debt securities		
- Investment grade	19,050	18,448
Common stock of unlisted companies	1,013	1,599
Other equity type investment	6,077	8,449
	26,140	28,496
At fair value through other comprehensive income		
Debt securities		
- Supra-nationals and OECD country governments	214,950	50,254
- Investment grade	29,025	54,853
- Other	35,304	34,329
Common stock of unlisted companies	1,000	1,000
	280,279	140,436
Investment in associate	550	518
	306,969	169,450
Expected credit losses	(375)	(262)
	306,594	169,188

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

7. INVESTMENTS (CONTD.)

ii) Debt securities - interest rate risk:

2024	Interest receivable basis	Effective Rates	Coupon Rates
Supra-nationals and OECD country government securities	Monthly/Semi-annual/Annual	3.500% - 5.000%	3.500% - 5.000%
Investment grade debt Securities	Monthly/Semi-annual/Annual	1.625% - 5.839%	1.625% - 5.839%
Other debt securities	Monthly/Semi-annual/Annual	1.740% - 5.500%	1.740% - 5.500%

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%

iii) Debt securities - currency risk:

(US\$ '000)

2024	U.S. Dollar	Bahraini Dinar	Total
Supra-nationals and OECD country government securities	214,950	-	214,950
Investment grade debt securities	48,075	-	48,075
Other debt securities	31,336	3,968	35,304
	294,361	3,968	298,329

(US\$ '000)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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.

	2024		2023	
	Principal Amount	Book value	Principal Amount	Book value
Supra-nationals and OECD country government securities:				
- Due in one year or less	50,000	50,176	-	-
- One to five years	166,000	164,774	50,000	50,254
	216,000	214,950	50,000	50,254
Debt securities of investment grade issuers:				
- Due in one year or less	12,000	11,871	22,000	21,678
- One to five years	31,500	30,018	49,000	45,745
- More than five years	6,500	6,186	6,500	5,878
	50,000	48,075	77,500	73,301
Other debt securities:				
- Due in one year or less	18,426	17,166	944	-
- One to five years	19,000	18,138	36,482	34,329
	37,426	35,304	37,426	34,329
	303,426	298,329	164,926	157,884

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:

	2024	2023
U.S. Dollar	1,013	1,599
Other	1,000	1,000
	2,013	2,599

vi) Commitments outstanding:

The Group has commitments in respect of uncalled capital in at fair value through profit or loss investments amounting to US\$ 5.4 million (31 December 2023: US\$ 8.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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)

	2024		2023	
	Income	Equity	Income	Equity
Interest rate				
+ 100 basis points shift in yield curves-debt instruments	(476)	(7,926)	(336)	(3,481)
- 100 basis points shift in yield curves-debt instruments	290	3,301	339	1,622
Currency risk				
10% increase in US Dollar exchange rate	(820)	-	(2,034)	-
10% decrease in US Dollar exchange rate	998	-	2,486	-

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

(US\$ '000)

2024	LfRC*		LfIC for contracts measured under PAA		Total
	Excl. LC	LC*	PVCF*	RA*	
Opening reinsurance contract assets	(757)	-	7,367	36	6,646
Opening reinsurance contract liabilities	(2,581)	-	243	11	(2,327)
	(3,338)	-	7,610	47	4,319
Net income or expense from reinsurance contracts held					
- Allocation of reinsurer premium	(1,191)	-	-	-	(1,191)
- Changes that relate to past services-adjustments to LIC*	-	-	(832)	(16)	(848)
- Expenses directly attributable to reinsurance	-	-	(473)	-	(473)
Reinsurance finance income through profit or loss	-	-	315	-	315
Net foreign exchange income or expense	-	-	-	-	-
Total changes in statement of profit or loss and OCI*	(1,191)	-	(990)	(16)	(2,197)
Premiums paid to reinsurer net of commission	1,211	-	-	-	1,211
Directly attributable expenses paid	-	-	504	-	504
Recoveries from reinsurance	-	-	(192)	-	(192)
Total cash flows	1,211	-	312	-	1,523
Closing reinsurance contract assets	263	-	7,493	19	7,775
Closing reinsurance contract liabilities	(3,581)	-	(561)	12	(4,130)
	(3,318)	-	6,932	31	3,645

*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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

	(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 2024

10. OTHER ASSETS

	(US\$ '000)	
	2024	2023
Intangible assets		
- Computer software	10,010	9,994
	10,010	9,994
Less: Accumulated amortization	(9,677)	(9,669)
	333	325
Other assets		
- Collateralised cash deposits	342	7,718
- Other receivables	19	359
- Prepayments	445	651
	806	8,728
	1,139	9,053
Movement in intangible assets:		
Net book value at 1 January	325	333
- Additions	17	-
- Amortization charge	(9)	(8)
Net book value at 31 December	333	325

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

11. PROPERTY AND EQUIPMENT

	(US\$ '000)	
	2024	2023
Land	1,972	1,972
Building	3,144	3,144
Furniture and fixtures	6,920	6,920
Hardware	2,225	2,270
Office equipments	411	460
Others	671	671
	15,343	15,437
Less: Accumulated depreciation and impairment		
Building	(320)	(160)
Furniture and fixtures	(6,909)	(6,908)
Hardware	(2,215)	(2,263)
Office equipments	(406)	(454)
Others	(435)	(397)
	(10,285)	(10,182)
	5,058	5,255
Movements in property and equipment:		
Net book value at 1 January	5,255	10,269
- Transferred to investment property	-	(1,550)
- Sale of TRL office property	-	(3,401)
- Additions	126	274
- Disposals	-	-
- Depreciation charge	(323)	(337)
Net book value at 31 December	5,058	5,255

Land and Building comprise the head office property owned and occupied by the Company since 1984.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

(US\$ '000)

	LfRC		LfIC for contracts measured under GMM*	LfIC for contracts measured under PAA		Total
	Excl. LC	LC		PVCF	RA	
2024						
Opening insurance contract assets of parent	-	-	-	-	-	-
Opening insurance contract liabilities of parent	1,438	-	(974)	(95,099)	(900)	(95,535)
	1,438	-	(974)	(95,099)	(900)	(95,535)
Insurance revenue	1,639	-	-	-	-	1,639
Insurance service expenses						
- Incurred benefits and expenses	-	-	-	(6,291)	-	(6,291)
- Changes that relate to past services - adjustment to LfIC	-	-	(143)	15,589	289	15,735
- Amortisation of insurance acquisition cash flows	(639)	-	-	-	-	(639)
Insurance finance expenses through profit or loss	(227)	-	(37)	(3,717)	-	(3,981)
Insurance finance expenses through OCI	-	-	-	-	-	-
Net foreign exchange income or expense	(2)	-	-	-	-	(2)
Total changes in statement of profit or loss and OCI	771	-	(180)	5,581	289	6,461
Premiums received	(1,528)	-	-	-	-	(1,528)
Claims paid	-	-	177	6,036	-	6,213
Directly attributable expenses paid	-	-	-	6,730	-	6,730
Acquisition cost paid	653	-	-	-	-	653
Total cash flows	(875)	-	177	12,766	-	12,068
Closing insurance contract assets	-	-	-	-	-	-
Closing insurance contract liabilities	1,334	-	(977)	(76,752)	(611)	(77,006)
Insurance contract liabilities of parent	1,334	-	(977)	(76,752)	(611)	(77,006)
Technical reserve of subsidiaries	-	-	-	-	-	(747)
Account payables of subsidiaries	-	-	-	-	-	(40)
Total insurance contract liabilities	-	-	-	-	-	(77,793)

*GMM - General Measurement Model

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

(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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

13. MOVEMENT OF THE COMPONENTS OF INSURANCE CONTRACT LIABILITIES

(US\$ '000)

2024	BEL*	RA	CSM	Total
Opening insurance contract assets	-	-	-	-
Opening insurance contract liabilities	(4,638)	(683)	(275)	(5,596)
	(4,638)	(683)	(275)	(5,596)
Changes related to current services				
- CSM recognized in profit or loss	-	-	478	478
- Risk Adjustment recognized in profit or loss	-	181	-	181
- Experience adjustments	548	-	-	548
Changes related to future services				
Change in estimates that adjust CSM	834	133	(968)	(1)
Changes that relate to past service - adjustments to LfIC	(143)	-	-	(143)
Insurance finance expenses through profit or loss	(261)	-	(2)	(263)
Total changes in statement of profit or loss and OCI	978	314	(492)	800
Premiums received	(145)	-	-	(145)
Claims paid	177	-	-	177
Acquisition cost paid	2	-	-	2
Total cash flows	34	-	-	34
Closing insurance contract assets	-	-	-	-
Closing insurance contract liabilities	(3,626)	(369)	(767)	(4,762)
	(3,626)	(369)	(767)	(4,762)

*BEL - Best estimate of liabilities

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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

(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)

14. MOVEMENT OF CONTRACTUAL SERVICE MARGIN FOR TRANSITIONAL APPROACHES

(US\$ '000)

	2024	2023
Contractual service Margin	Fair Value Approach (FVA)	
Opening balance	275	446
Change related to current services		
- CSM recognized in profit or loss	(478)	(123)
Changes related to future services		
- Changes in estimates that adjust CSM	968	(51)
- Change in estimates that result in onerous contract or reversal of losses	2	3
Insurance finance expenses through profit or loss	-	-
Closing balance	767	275
Insurance Revenue	1,207	541

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

15. 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						
	2019	2020	2021	2022	2023	2024	Total
Gross							
Estimate of incurred claims costs:							
- At end of underwriting year	55,541	1,474	-	-	-	-	
- One year later	112,330	1,033	-	-	-	-	
- Two years later	110,136	845	-	-	-	-	
- Three years later	112,572	773	-	-	-	-	
- Four years later	40,198	675	-	-	-	-	
- Five years later	38,975	-	-	-	-	-	
Current estimate of incurred claims	38,975	675	-	-	-	-	39,650
Cumulative payments to date	(32,762)	(142)	-	-	-	-	(32,904)
Liability recognized	6,213	533	-	-	-	-	6,746
Liability in respect of prior years							81,924
Total liability included in the statement of financial position							88,670

(US\$ '000)

	Underwriting year						
	2019	2020	2021	2022	2023	2024	Total
Net							
Estimate of incurred claims costs:							
- At end of underwriting year	48,217	1,474	-	-	-	-	
- One year later	92,768	1,033	-	-	-	-	
- Two years later	96,171	845	-	-	-	-	
- Three years later	89,262	773	-	-	-	-	
- Four years later	39,772	675	-	-	-	-	
- Five years later	38,523	-	-	-	-	-	
Current estimate of incurred claims	38,523	675	-	-	-	-	39,198
Cumulative payments to date	(32,352)	(142)	-	-	-	-	(32,494)
Liability recognized	6,171	533	-	-	-	-	6,704
Liability in respect of prior years							76,834
Total liability included in the statement of financial position							83,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

16. OTHER LIABILITIES

(US\$ '000)

	2024	2023
Provision for probable loss estimates in a subsidiary (note 32 (iii))	1,013	3,613
Provision for doubtful receivables	-	1,572
Accrued expenses	1,037	1,049
Dividends payable	234	234
Other	1,912	979
	4,196	7,447
Balances due:		
- Within 12 months	4,066	7,310
- After 12 months	130	137
	4,196	7,447

17. SHAREHOLDERS' EQUITY

i) Share capital:

a) Composition

	2024	2023
Authorised		
500 million ordinary shares of US\$ 1 each	500,000	500,000
Issued, Subscribed and Fully Paid-up		
220 million (2023: 220 million) ordinary shares of US\$ 1 each	220,000	220,000

The company's shares are listed on Bahrain Bourse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17. SHAREHOLDERS' EQUITY (CONTD.)

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	
		2024	2023	2024	2023	2024	2023
Central Bank of Libya	Libya	31.8	31.8	16.1	16.1	14.5	14.5
Emirates Investment Authority	UAE	-	30.5	-	15.4	-	13.8
Gulf Tamin Ltd. (Cayman Islands)	Cayman Islands	30.5	-	15.4	-	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)		% of total outstanding shares		% of total issued shares	
	2024	2023	2024	2023	2024	2023
Less than 1%	37.3	40.5	4,206	4,244	18.9%	20.4%
1% to 5%	18.3	15.1	6	5	9.2%	7.6%
5% to 10%	11.0	11.0	1	1	5.6%	5.6%
10% and above	131.5	131.5	5	5	66.4%	66.4%

ii) Treasury stock:

The Company held 21,885,118 of its own shares at 31 December 2024 (2023: 21,885,118 shares) which are carried at cost of US\$ 14,793,000 (2023: 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 investments designated at 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

17. SHAREHOLDERS' EQUITY (CONTD.)

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.

18. NON-CONTROLLING INTERESTS

	(US\$ '000)	
	2024	2023
At 1 January	13,200	12,776
Share of comprehensive income	42	424
Subsidiary's capital reduction	(5,520)	-
At 31 December	7,722	13,200

19. INSURANCE REVENUE

	(US\$ '000)	
	2024	2023
Amounts relating to change in LfRC		
- Expected benefits incurred	341	533
- Expected expenses incurred	196	91
- Change in the risk adjustment	181	(164)
- CSM recognized	478	123
Recovery of acquisition cash flows	1	-
Experience adjustments	10	(42)
Contracts not measured under PAA	1,207	541
Contracts measured under PAA	432	626
Insurance revenue of parent	1,639	1,167
Insurance revenue of subsidiaries	(24)	-
Total insurance revenue	1,615	1,167

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

20. INSURANCE SERVICE EXPENSES

	(US\$ '000)	
	2024	2023
Incurred benefits	-	-
Incurred directly attributable expenses	6,291	6,586
Changes that relates to past services - adjustment to LfIC	(15,735)	(11,695)
Insurance acquisition costs	639	857
Insurance service expense of parent	(8,805)	(4,252)
Insurance service expense of subsidiaries	562	706
Total insurance service expense	(8,243)	(3,546)

21. NET EXPENSE OR INCOME FROM REINSURANCE CONTRACTS HELD

	(US\$ '000)	
	2024	2023
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	1,191	1,382
Allocation of reinsurer premium	1,191	1,382
Amounts recovered for claims and other expenses	-	-
Incurred directly attributable expenses	473	496
Changes that relate to past service – recoverable claims and other expenses	848	233
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	1,321	729
Net expense from reinsurance contracts held	2,512	2,111

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. SEGMENT INFORMATION

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

i) Analysis of revenue by primary business segment:

(US\$ '000)

	Non-life					Life		Unallocated operating expenses of subsidiaries	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
2024									
Insurance revenue	(155)	752	(140)	35	(80)	(4)	1,207	-	1,615
Insurance service expense	885	5,342	316	1,304	(734)	2,117	(144)	(843)	8,243
Net income or expense from reinsurance contracts held	(189)	(1,503)	(105)	-	(644)	(71)	-	-	(2,512)
Insurance service result	541	4,591	71	1,339	(1,458)	2,042	1,063	(843)	7,346
Insurance finance expenses	(738)	(901)	(239)	(135)	(1,384)	(323)	(263)	-	(3,983)
Reinsurance finance income	29	57	27	-	202	1	-	-	316
	(709)	(844)	(212)	(135)	(1,182)	(322)	(263)	-	(3,667)

i) Analysis of revenue by primary business segment:

(US\$ '000)

	Non-life					Life		Unallocated operating expenses of subsidiaries	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
2023									
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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

22. SEGMENT INFORMATION (CONTD.)

ii) Analysis of segment assets and liabilities:

(US\$ '000)

	Non-Life					Life		Corporate	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
2024									
Reinsurance contract assets	185	(2,381)	742	-	5,088	11	-	-	3,645
Cash	2,634	1,894	1,852	1,120	2,097	972	2,045	40,816	53,430
Investments	16,232	11,359	8,515	5,311	24,867	6,838	14,416	219,056	306,594
Other	-	-	-	-	-	-	-	8,806	8,806
	19,051	10,872	11,109	6,431	32,052	7,821	16,461	268,678	372,475
Insurance contract liabilities	17,976	11,254	5,377	1,377	31,660	5,387	4,762	-	77,793
Other	-	-	-	-	-	-	-	4,196	4,196
	17,976	11,254	5,377	1,377	31,660	5,387	4,762	4,196	81,989

(US\$ '000)

	Non-Life					Life		Corporate	Total
	Property	Engineering	Marine	Accident	Others	Short term	Long term		
2023									
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

23. INVESTMENT INCOME

	(US\$ '000)	
	2024	2023
Interest income		
- Investment designated at fair value through profit or loss	888	892
- Cash and bank deposits	8,191	9,905
- Investment designated at fair value through other comprehensive Income	6,128	3,574
Realised gain on investment		
- Designated at fair value through other comprehensive income	183	452
- Designated at fair value through profit or loss	303	1,001
Unrealized loss on Investment designated at fair value through profit or loss	(779)	(793)
Income (loss) from associate	32	(22)
Other	(219)	(266)
	14,727	14,743

24. INSURANCE FINANCE EXPENSES

	(US\$ '000)	
	2024	2023
Interest accreted to insurance contracts	5,580	5,908
Change in financial assumption through P&L	(1,720)	(901)
Change in financial assumption through OCI	-	-
Effect of unlocking CSM at looked-in rates and FCF at current rates	120	(77)
Net foreign exchange income or expense	3	4
Total insurance finance expense	3,983	4,934

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

25. REINSURANCE FINANCE INCOME

	(US\$ '000)	
	2024	2023
Interest accreted to reinsurance contracts	472	458
Change in financial assumption through P&L	(157)	(77)
Net foreign exchange income or expense	1	-
Total reinsurance finance income	316	381

26. OTHER EXPENSES AND PROVISIONS

	(US\$ '000)	
	2024	2023
Foreign exchange loss	463	-
Investment property impairment and depreciation	-	174
Operating expenses of non-insurance subsidiary	576	723
Provision for doubtful receivable & deposits	-	63
Directors' remuneration	1,500	175
Other, net	498	1,210
Total other expenses and provisions	3,037	2,345

27. OTHER INCOME

	(US\$ '000)	
	2024	2023
Foreign exchange gain	-	397
Third party administration services	-	58
Reversal of provisions	4,172	1,500
Sale of TRL property	-	1,074
Recoveries of bad debt written off	6,035	-
Other	812	847
Total other income	11,019	3,876

28. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS

The Group does not have any potentially dilutive ordinary shares. Hence the diluted earnings per share and basic earnings per share are identical. Basic and diluted earnings per share has been computed as follows:

		(US\$ '000)	
		2024	2023
Weighted average number of shares outstanding	'000	198,115	198,115
Net profit	US\$'000	26,442	13,978
Earnings per share	US cents	13.3	7.1

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FOR THE YEAR ENDED 31 DECEMBER 2024

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

	(US\$ '000)	
	2024	2023
Profit for the year	26,388	14,323
Change in insurance funds	(17,466)	(17,342)
Change in insurance receivable/ payable, net	(519)	2,696
Change in accrued income	2,038	(1,188)
Change in other assets/liabilities, net	(16,863)	(13,439)
Net cash used in operating activities	(6,422)	(14,950)

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	(US\$ '000)	
	Dividends	Non-controlling Interest
Balances at 31 December 2023	234	13,200
Share of comprehensive income	-	42
Subsidiary's capital reduction	-	(5,520)
Balances at 31 December 2024	234	7,722
Balances at 31 December 2022	234	12,776
Share of comprehensive income	-	424
Balances at 31 December 2023	234	13,200

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FOR THE YEAR ENDED 31 DECEMBER 2024

31 . FAIR VALUE DISCLOSURE

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

(US\$ '000)

	Book Value			Total	Fair value
	At fair value through profit or loss	At fair value through other comprehensive income	Amortised cost		
2024					
ASSETS					
Cash and cash equivalents	-	-	53,430	53,430	53,430
Investment assets	26,140	280,279	-	306,419	306,419
Accrued interest	-	-	2,596	2,596	2,596
Reinsurance contract assets	-	-	3,645	3,645	3,645
Non-insurance deposits	-	-	13	13	13
Other assets	-	-	361	361	361
LIABILITIES					
Insurance contract liabilities	-	-	77,793	77,793	77,793
Other liabilities	-	-	2,146	2,146	2,146

(US\$ '000)

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

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FOR THE YEAR ENDED 31 DECEMBER 2024

31. FAIR VALUE DISCLOSURE (CONTD.)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. FAIR VALUE DISCLOSURE (CONTD.)

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)

2024	Level 1	Level 2	Level 3	Total
At fair value through profit or loss				
Debt securities	19,050	-	-	19,050
Common stock of unlisted companies	-	-	1,013	1,013
Other	-	-	6,077	6,077
At fair value through other comprehensive income				
Debt securities	275,311	3,968	-	279,279
Common stock of unlisted companies	-	-	1,000	1,000
	294,361	3,968	8,090	306,419

(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

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

(US\$ '000)

2024	Unlisted equity	Other	Total
Balances at 1 January 2024	2,599	8,449	11,048
Loss on fair value movement	(382)	(997)	(1,379)
Investments made during the year	-	62	62
Investments redeemed during the year	(204)	(1,437)	(1,641)
Balances at 31 December 2024	2,013	6,077	8,090

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31. FAIR VALUE DISCLOSURE (CONTD.)

	(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

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 2024, there were no transfers in and out of level 1, level 2 and level 3 (31 December 2023: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

32. PRINCIPAL SUBSIDIARIES & ASSOCIATES

i) Subsidiaries and associates

At 31 December 2024, the principal subsidiaries of the Company were:

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

All holdings are in the ordinary share capital of the subsidiaries concerned and are unchanged from 31 December 2023 except for Takaful Re Limited where capital was reduced from US\$ 65 million to US\$ 53 million. 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)	
	2024	2023
Non-controlling interests	46%	46%
Total assets	25,616	37,962
Total liabilities	8,828	9,266
Net assets	16,788	28,696
Revenue	(24)	-
(Loss) profit for the year	(116)	750
Total comprehensive income	91	922
Comprehensive income attributable to non-controlling interests	42	424
Net cash used in operating activities	(1,096)	(1,026)
Net cash provided by investing activities	4,122	11,350
Net cash used in financing activities	(12,000)	-
Net (decrease) increase in cash and cash equivalents	(8,974)	10,324

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

32. PRINCIPAL SUBSIDIARIES & ASSOCIATES (CONTD.)

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\$ 1 million in the books of the subsidiary and consequently in the consolidated financial statements of the Group for the year ended 31 December 2024. This does not constitute admission of any liability beyond the share capital of Gulf Warranties W.L.L.

33. 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 17.5% of issued shares in the Group through major shareholders 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. Gulf Tamin Ltd. controls 13.85% of issued shares in the Group. The Group does not have any significant transactions with Gulf Tamin Ltd.

The following is the summary of transactions with related parties:

i) Associate companies:

	(US\$ '000)	
	2024	2023
a) Service fees for administration services provided by associate	261	276
b) Balances outstanding		
- Payables	40	53

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FOR THE YEAR ENDED 31 DECEMBER 2024

33. RELATED PARTY TRANSACTIONS (CONTD.)

ii) Compensation to directors and key management personnel:

	(US\$ '000)	
	2024	2023
a) Directors		
- Remuneration proposed	1,500	285
- Attendance fees	239	315
- Travel expenses	163	175
b) Key management compensation		
- Salaries and other short-term employee benefits	347	414
- Post-employment benefits	47	53
- Others	20	15
c) Balances payable to key management	124	208

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

34. PARENT COMPANY

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

	Note	(US\$ '000) 2024	2023
ASSETS			
Cash and bank balances		42,196	195,499
Investments		299,263	161,993
Accrued interest		2,513	4,450
Reinsurance contract assets		3,645	4,319
Other assets		22,787	31,928
Investment in subsidiaries		9,615	16,015
Property and equipment		4,877	4,991
TOTAL ASSETS		384,896	419,195
LIABILITIES			
Insurance contract liabilities		77,006	95,535
Other liabilities		25,126	29,007
TOTAL LIABILITIES		102,132	124,542
SHAREHOLDERS' EQUITY	17		
Share capital		220,000	220,000
Treasury stock		(14,793)	(14,793)
Reserves		48,108	44,312
Retained earnings		29,449	45,134
TOTAL SHAREHOLDER'S EQUITY		282,764	294,653
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		384,896	419,195

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35. DIVIDEND DECLARED

A dividend of US\$ 39.6 million representing 20% of the paid up capital of the Company (net of treasury shares) for the year ended 31 December 2023 (at US\$ 0.20 per share) (2023: US\$ 9.9 million for the year ended 31 December 2022 at US\$ 0.05 per share), was approved by the shareholders in the Ordinary General Assembly Meeting held on 28 March 2024 (2023: 29 March 2023). The payment to the entitled shareholders was made on 15 April 2024 (2023: 19 April 2023).

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 26 March 2025:

	(US\$ '000)
Cash dividend of US cents 12.5 per share on the paid up capital net of treasury shares	24,764
Directors' remuneration	1,500

