

Consolidated Financial Statements 31 December 2023

Consolidated Statement of Income

For the year ended 31 December 2023

		2023	2022
	Notes	KD 000's	KD 000's (Restated)
Revenue			
Insurance revenue	8	818,298	764,904
Insurance service expenses	8	(691,197)	(589,713)
Insurance service result before reinsurance contracts held		127,101	175,191
Net expense from reinsurance contracts held	8	(77,348)	(132,403)
Insurance service result		49,753	42,788
Finance expense from insurance contracts issued	8	(20,158)	(2,352)
Finance income from reinsurance contracts held	8	9,675	289
Net insurance financial result		39,270	40,725
Net investment income	3	48,444	30,570
Non-attributable general and administrative expenses		(27,264)	(21,078)
Other income, net		2,116	1,436
Net monetary losses due to hyperinflation		(1,244)	(3,957)
Finance costs		(7,288)	(3,628)
Impairment of investment in associates	10	(10,824)	-
Gain on bargain purchase from acquisition of a subsidiary	17	4,642	-
Profit for the year before taxation from continuing operations		47,852	44,068
Group Directors Fees		(185)	(185)
Contribution to KFAS		(377)	(480)
NLST		(597)	(807)
Zakat		(189)	(1,678)
Taxation from subsidiaries		(8,103)	(4,068)
Profit for the year from continuing operations		38,401	36,850
Discontinued operations:			
Loss from discontinued operations	27	(8,872)	-
Profit for the period		29,529	36,850
Attributable to:			
Equity holders of the Parent Company		21,206	33,376
Non-controlling interests		8,323	3,474
		29,529	36,850
Basic and diluted earnings per share attributable to equity holders of the Parent Company	4	74.735 fils	117.624 fils

The attached notes 1 to 28 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2023

	2023	2022
	KD 000's	KD 000's (Restated)
Profit for the period	29,529	36,850
Other comprehensive (loss) income:		
Items that are or may be subsequently reclassified to consolidated statement of income:		
• Exchange differences on translation of foreign operations	(145)	(11,420)
• Share of other comprehensive income (loss) in investment in associates	(469)	(1,477)
• Insurance finance income (loss) for insurance contracts issued	(869)	1,711
• Finance (expenses) income from reinsurance contracts held	445	(447)
	(1,038)	(11,633)
Items that will not subsequently reclassified to consolidated statement of income:		
• Change in fair value of financial assets at FVOCI	(93)	(3,494)
• Revaluation of property and equipment	1,303	4,148
• Revaluation of pension plans	8	(125)
• Hyperinflation impact	2,457	5,497
	3,675	6,026
Other comprehensive income (loss) for the period	2,637	(5,607)
Total comprehensive income for the period	32,166	31,243
Attributable to:		
Equity holders of the Parent Company	24,766	30,024
Non-controlling interests	7,400	1,219
	32,166	31,243

The attached notes 1 to 28 form part of these consolidated financial statements.

Consolidated Statement of Financial position

As at 31 December 2023

Notes	31 December	31 December	1 January
	2023	2022	2022
	KD 000's	KD 000's (Restated)	KD 000's (Restated)
Assets			
Cash and bank balances	5	227,748	231,601
Time deposits	6	61,107	74,373
Other assets	7	57,776	45,756
Insurance contract assets	8	19,131	34,143
Reinsurance contract assets	8	212,357	273,799
Loans secured by life insurance policies		481	499
Financial instruments:			
• Investments held to maturity	9	63,135	61,656
• Debt instruments at amortised cost	9	-	-
• Investments carried at fair value through profit or loss	9	53,458	48,469
• Investments available for sale	9	271,142	261,749
• Investments at fair value through other comprehensive income	9	-	-
Property and equipment		44,363	45,575
Investments in associates	10	43,717	44,987
Investment properties		9,821	10,493
Intangible assets	11	45,880	48,034
Goodwill	12	33,233	32,706
		1,143,349	1,213,840
Disposal group held for sale	28	-	-
Total assets		1,143,349	1,213,840

The attached notes 1 to 28 form part of these consolidated financial statements.

Notes	31 December	31 December	1 January
	2023	2022	2022
	KD 000's	KD 000's (Restated)	KD 000's (Restated)
Liabilities and equity			
Liabilities			
Insurance contract liabilities	8	543,914	642,099
Reinsurance contract liabilities	8	23,941	9,249
Bank overdraft		-	-
Term loans	13	58,077	75,484
Other liabilities	14	153,448	138,524
Total liabilities		779,380	865,356
Equity			
Share capital	15	28,457	28,457
Share premium	15	50,947	50,947
Treasury shares	15	(429)	(429)
Treasury shares reserve		3,099	3,099
Statutory reserve	15	27,835	23,843
Voluntary reserve	15	38,416	34,424
Effect of changes in ownership interest of subsidiaries		(2,837)	(2,837)
Other reserve		(628)	(481)
Insurance and reinsurance finance reserve		1,264	-
Cumulative changes in fair value reserve		(455)	1,135
Foreign currency translation adjustments		(41,405)	(35,433)
Revaluation reserve		17,738	14,667
Retained earnings		106,642	93,740
Equity attributable to the equity holders of the Parent Company		228,644	211,132
Subordinated perpetual Tier 2 bonds	16	60,000	60,000
Non-controlling interests		75,325	77,352
Total equity		363,969	348,484
Total liabilities and equity		1,143,349	1,213,840

Farqad A. Al-Sane

Chairman

The attached notes 1 to 28 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to equity holders of the Parent Company																
	Share capital	Share premium	Treasury shares	Treasury share reserve	Statutory reserve	Voluntary reserve	Effect of changes in ownership interest of subsidiaries	Other reserve	Insurance and reinsurance finance reserve	Cumulative changes in fair value reserve	Foreign currency translation adjustments	Revaluation reserve	Retained earnings	Subtotal	Subordinated perpetual tier 2 bonds	Non-controlling interests	Total equity
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
As at 31 December 2022 (restated)	28,457	50,947	(429)	3,099	27,835	38,416	(2,837)	(628)	1,264	(455)	(41,405)	17,738	106,642	228,644	60,000	75,325	363,969
Impact of initial application of IFRS 9 (Note 2)	-	-	-	-	-	-	-	-	-	-	-	-	2,637	2,637	-	1,630	4,267
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	21,206	21,206	-	8,323	29,529
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	13	(425)	306	2,090	1,576	-	3,560	-	(923)	2,637
Total comprehensive(loss) income for the year	-	-	-	-	-	-	-	13	(425)	306	2,090	1,576	21,206	24,766	-	7,400	32,166
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	(15,323)	(15,323)	-	-	(15,323)
Interest on subordinated perpetual tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	-	(3,311)	(3,311)	-	-	(3,311)
Amortization of subordinated Tier 2 Bonds transactions costs	-	-	-	-	-	-	-	-	-	-	-	-	(126)	(126)	-	-	(126)
Movement in other reserve	-	-	-	-	-	-	-	(1,028)	-	-	-	-	-	(1,028)	-	(85)	(1,113)
Transferred related to sale of a subsidiary	-	-	-	-	-	-	-	-	-	(622)	-	(2,836)	3,458	-	-	-	-
Transferred related to sale of a property	-	-	-	-	-	-	-	-	-	-	-	(464)	464	-	-	-	-
Transfer to reserves	-	-	-	-	622	2,255	-	-	-	-	-	-	(2,877)	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,624)	(2,624)
Non-controlling interests arising on acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	319	319
Non-controlling interests reduced on divestiture of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4,081)	(4,081)
As at 31 December 2023	28,457	50,947	(429)	3,099	28,457	40,671	(2,837)	(1,643)	839	(771)	(39,315)	16,014	112,770	236,259	60,000	77,884	374,143
As at 31 December 2021 as previously reported (Audited)	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(481)	-	1,135	(35,433)	14,667	95,809	213,201	60,000	76,310	349,511
Impact of initial application of IFRS 17 (Note 2.1.1)	-	-	-	-	-	-	-	-	-	-	-	-	(2,069)	(2,069)	-	1,042	(1,027)
As at 31 December 2021 (Restated)	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	(481)	-	1,135	(35,433)	14,667	93,740	211,132	60,000	77,352	348,484
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	-	33,376	33,376	-	3,474	36,850
Other comprehensive (loss) income for the year	-	-	-	-	-	-	-	(125)	1,264	(1,590)	(5,972)	3,071	-	(3,352)	-	(2,255)	(5,607)
Total comprehensive (loss) income for the year	-	-	-	-	-	-	-	(125)	1,264	(1,590)	(5,972)	3,071	33,376	30,024	-	1,219	31,243
Dividend paid (Note 15)	-	-	-	-	-	-	-	-	-	-	-	-	(9,931)	(9,931)	-	-	(9,931)
Share Capital Increase/Decrease	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on subordinated perpetual tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	-	(2,433)	(2,433)	-	-	(2,433)
Amortization of subordinated Tier 2 Bonds transactions costs	-	-	-	-	-	-	-	-	-	-	-	-	(126)	(126)	-	-	(126)
Movement in other reserve	-	-	-	-	-	-	-	(22)	-	-	-	-	-	(22)	-	(4)	(26)
Transfer to reserves	-	-	-	-	3,992	3,992	-	-	-	-	-	-	(7,984)	-	-	-	-
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,242)	(3,242)
As at 31 December 2022	28,457	50,947	(429)	3,099	27,835	38,416	(2,837)	(628)	1,264	(455)	(41,405)	17,738	106,642	228,644	60,000	75,325	363,969

The attached notes 1 to 28 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

		2023	2022
	Notes	KD 000's	KD 000's (Restated)
Operating activities			
Profit for the year before taxation from continuing operations		47,852	44,068
Loss from discontinued operations		(8,872)	-
Profit before tax		38,980	44,068
Adjustments for:			
• Depreciation of property and equipment		2,553	2,202
• Amortisation of intangible assets	11	6,507	4,893
• Gain on bargain purchase from acquisition of a subsidiary	17	(4,642)	-
• Net investment income		(46,126)	(28,183)
• Impairment of investment in associates		10,824	-
• Share of results of associates	10	(2,318)	(2,389)
• Finance costs		7,288	3,628
• Monetary loss from hyperinflation		1,244	3,957
• Impairment of intangible assets	11	173	-
• Foreign currency translation reserve recycled to statement of profit or loss	27	7,533	-
• Impairment of investment in a subsidiary held for sale	27	4,641	-
• Gain on sale of a subsidiary	27	(11)	-
		26,646	28,176
Changes in operating assets and liabilities:			
• Insurance contract assets		11,960	15,012
• Reinsurance contract assets		(30,836)	61,442
• Other assets		10,971	(12,146)
• Insurance contract liabilities		34,639	(98,185)
• Reinsurance contract liabilities		13,506	14,692
• Other liabilities		(33,444)	6,716
• Remuneration paid to directors		(185)	(185)
Net cash flows from operating activities		33,257	15,522

The attached notes 1 to 28 form part of these consolidated financial statements.

		2023	2022
	Notes	KD 000's	KD 000's (Restated)
Investing activities			
Movement in time deposits		5,621	13,266
Net movement of investments		(95,464)	(11,624)
Loans secured by life insurance policies		(138)	18
Purchase of property and equipment		(1,655)	(1,696)
Additions on intangible assets	11	(7,011)	(3,284)
Proceeds from sale of property and equipment		1,051	57
Proceeds from sale of investments properties		1,352	-
Interest income received	3	29,927	21,083
Dividend income received	3	2,504	1,871
Dividend received from associates	10	2,154	2,182
Proceeds from sale of a subsidiary		221	-
Acquisition of a subsidiary, net of cash acquired	17	(566)	-
Net cash flows (used in) from investing activities		(62,004)	21,873
Financing activities			
Net movement in bank overdraft		3,082	-
Term loans paid		(4,961)	(17,407)
Finance costs paid		(7,288)	(3,628)
Interest on subordinated perpetual Tier 2 bonds		(2,893)	(2,326)
Dividends paid		(14,938)	(9,523)
Dividends paid to non-controlling interests		(2,624)	(3,242)
Net cash flows used in financing activities		(29,622)	(36,126)
Net (decrease) increase in cash and cash equivalents		(58,369)	1,269
Cash and cash equivalents at beginning of the year		227,748	231,601
Foreign currency translation adjustments		(3,545)	(5,122)
Cash and cash equivalents at end of the year	5	165,834	227,748

The attached notes 1 to 28 form part of these consolidated financial statements.

Notes to Consolidated Financial Statements

As at and for the year ended 31 December 2023

1 Corporate information

The consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and subsidiaries (the "Group") for the year ended 31 December 2023 were authorised for issue in accordance with a resolution of the directors on 29 February 2024. The ordinary General Assembly of the shareholders of the Parent Company has the power to amend these consolidated financial statements after issuance.

The Parent Company was incorporated as a Kuwaiti Shareholding Company in accordance with the Amiri Decree No. 25 of 9 April 1962 and is listed on Bursa Kuwait. The Parent Company's objectives include all types of insurance, indemnities, compensations and investing its capital and assets in various financial and real estate investments, both locally and abroad.

The Ultimate Holding Company of the Parent Company is Fairfax Financial Holdings Limited Company (Listed Company in Canada) which owns 90.01% (2022: 43.69%) of the issued share capital. During the current year, Kuwait Projects Company Holding K.S.C. sold its entire share to Fairfax Financial Holdings Limited Company.

The address of the Parent Company's registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No. 40, Office No. 1 & 2, Shark, Kuwait City P.O. Box 1040 Safat, 13011. State of Kuwait.

The Group employs 3,984 employees as at 31 December 2023 (2022: 3,735 employees).

2.1 Basis of preparation

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

The consolidated financial statements have been prepared on a historical cost convention except for the measurement at fair value of investments carried at fair value through profit or loss, investments at fair value through other comprehensive income, investment properties and land and buildings.

The consolidated financial statements are presented in Kuwaiti Dinars, all values are rounded to the nearest thousand (KD 000), except when otherwise indicated, which is the functional and reporting currency of the Parent Company.

Financial assets and financial liabilities are offset, and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense will not be offset

in the consolidated statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of IFRS 17. Comparative figures have been reclassified for better presentation.

The Group presents its consolidated statement of financial position broadly in order of liquidity based on the Group's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 22.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2023. Subsidiaries are investee that the Group has control over.

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

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- Parent Company voting rights and potential voting rights

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

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

2.3 Change in accounting policy and disclosures

2.3.1 New and amended accounting policies, standards and interpretations

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

These amendments had no impact on the Group consolidated financial statements.

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

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

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

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

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's consolidated financial statements.

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods on or after 1 January 2023.

The Group has restated comparative information for 2022 applying the transitional provisions in Appendix C to IFRS 17 adopting the full retrospective approach. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement:

IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

Notes to Consolidated Financial Statements (continued)

2.3 Change in accounting policy and disclosures (Continued)

2.3.1 New and amended accounting policies, standards and interpretations (Continued)

IFRS 17 Insurance Contracts (Continued)

Changes to classification and measurement (Continued)

The key principles of IFRS 17 are that the Group:

- Identifies insurance contracts as those under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards
- Divides the insurance and reinsurance contracts into groups it will recognise and measure
- Recognises and measures groups of insurance contracts at:
 - A risk-adjusted present value of the future cash flows (the fulfilment cash flows "FCF") that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information
 - Plus
 - An amount representing the unearned profit in the group of contracts (the contractual service margin or CSM)
- Recognises profit from a group of insurance contracts over each period the Group provides insurance contract services, as the Group is released from risk. If a group of contracts is expected to be onerous (i.e., loss-making) over the remaining coverage period, the Group recognises the loss immediately.
- Recognises an asset for insurance acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts.

Under IFRS 17, the Group's insurance contracts issued, and reinsurance contracts held are eligible to be measured by applying the Premium Allocation Approach (PAA), Variable fee approach (VFA) and the General Model (GM). The PAA simplifies the measurement of insurance contracts in comparison with the General Model (GM) in IFRS 17.

The measurement principles of the PAA differ from the "earned premium approach" used by the Group under IFRS 4 in the following key areas:

- The liability for remaining coverage (LRC) reflects premiums received less deferred insurance acquisition cash flows and less amounts recognised in revenue for insurance services provided.
- For GM and VFA measurement of the LRC involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (LIC) (previously outstanding claims and incurred-but-not-reported (IBNR) reserves) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.

- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

The Group has determined that the majority of its insurance contracts qualify for the simplified approach. As a result, the Group has established its policy choice to account for its insurance contracts under the Premium Allocation Approach, where eligible.

The application of the PAA model is optional. This means that if the eligibility criteria are fulfilled for a certain group of insurance contracts, an entity can choose between measuring this group of contracts under the General Model (GM) or under the PAA when the Group reasonably expects that the measurement of the liability for remaining coverage for the Company containing those contracts under the PAA does not differ materially from the liability that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

The Group has determined that contracts are eligible for the PAA if they have a coverage period of one year or less (Criteria 1) or the liability for remaining coverage would not differ materially from the liability for remaining coverage under the GM in any of the given reporting periods (Criteria 2) or if the volatility in historical expectations was low, i.e., when expectations were stable over time (Criteria 3).

Variable Fee Approach (VFA) will be applied to all those life contracts where an underlying item can be identified.

The Group's classification and measurement of insurance and reinsurance contracts is explained in Note 3.

Changes to presentation and disclosure

For presentation in the consolidated statement of financial position, the Group aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents 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.

The line-item descriptions in the consolidated statement of profit or loss and consolidated statement of comprehensive income have been changed significantly compared with last year. As follows:

Previously reported under IFRS 4:

- Premium written
- Reinsurance premium ceded
- Net premiums written
- Movement in unearned premium reserve
- Movement in life mathematical reserve
- Gross insurance claims incurred
- Commissions and discounts
- Maturity and cancellations of life insurance policies

IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Net expense from reinsurance contracts held
- Finance (expenses) income from insurance contracts issued
- Finance income (expense) from reinsurance contracts held

Transition

On transition date, 1 January 2022, the Group:

- Has identified, recognised and measured each group of insurance contracts as if IFRS 17 had always applied.
- Has identified, recognised and measured assets for insurance acquisition cash flows as if IFRS 17 has always applied. However, no recoverability assessment was performed before transition date. At transition date, a recoverability assessment was performed, and no impairment loss was identified.
- Derecognised any existing balances that would not exist had IFRS 17 always applied.
- Recognised any resulting net difference in equity.

Full retrospective approach

On transition to IFRS 17, the Group has applied the full retrospective approach unless impracticable. The Group has applied the full retrospective approach on transition to all contracts issued on or after 1 January 2021.

Fair valuation approach

The Group has applied the fair value approach on transition for certain groups of term-life contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply

the full retrospective approach was impracticable without undue cost or effort. The Group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date.

The Group has aggregated contracts issued more than one year apart in determining groups of insurance contracts under the fair value approach at transition as it did not have reasonable and supportable information to aggregate groups into those including only contracts issued within one year.

For the application of the fair value approach, the Group has used reasonable and supportable information available at the transition date in order to:

- Identify groups of insurance contracts
- Determine whether any contracts are direct participating insurance contracts
- Identify any discretionary cash flows for insurance contracts without direct participation features

The Group estimates that, on adoption of IFRS 17, the impact of these changes is as follows:

Items presented for Primary insurance contracts and Reinsurance contracts	Impact on equity 1 January 2022
	KD 000'
Change in best estimate	43,192
Loss component impact	(11,510)
Risk adjustment	(33,636)
Deferred acquisition cost	6,074
Discounting impact	8,995
Change in credit risk	(2,809)
Changes in Earning Patterns	(6,363)
Contractual Service Margin	(5,158)
Others	188
	(1,027)
Attributable to equity holders of the Parent Company	(2,069)
Attributable to Non-controlling interest	1,042
	(1,027)

Notes to Consolidated Financial Statements (continued)

2.3 Change in accounting policy and disclosures (Continued)

2.3.1 New and amended accounting policies, standards and interpretations (Continued)

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the initial application of IFRS 17.

The Group has applied IFRS 9 using the modified retrospective approach and accordingly, the comparative periods have not been restated for the financial instruments within the scope of IFRS 9. Differences arising from the adoption of IFRS 9 were recognised in retained earnings as of 1 January 2023.

IFRS 9 introduces new requirements for a) the classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting. Details of these new requirements as well as their impact on the Group's consolidated financial statements are described in Note 2.5.

a) Classification and measurement

Under IFRS 9, financial assets such as bank balances and cash, insurance contract assets, other receivables and amounts due from related parties that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on principal amount outstanding, are subsequently measured at amortised cost (AC).

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which the Group had irrevocably elected at initial recognition or transition to classify at FVOCI. Under IAS 39, the Group's equity securities were classified as financial assets available for sale.

Financial assets at fair value through profit or loss (FVTPL) comprise certain equity securities that have been acquired principally for the purpose of selling or repurchasing in the near-term and certain debt instruments that failed the SPPI test.

The accounting for the Group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the consolidated statement of income.

b) Impairment of financial assets

The Group previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39. IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39 incurred loss approach with a forward-looking ECL approach.

For the Group's financial assets, the management has applied the standard's general approach and simplified approach (where applicable) and has determined lifetime expected credit losses on these instruments. The management has established a provision matrix that is based on the historical credit loss experience, adjusted for forward-looking factors specific to the counter parties and the economic environment.

The management considers a financial asset in default when the contractual payments are passing the default point. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that it is unlikely to receive the outstanding contractual amounts in full.

The adoption of the ECL requirements of IFRS 9 has resulted in change in impairment allowances in respect of the Group's debt instruments. The change in allowance was adjusted to retained earnings.

c) Hedge accounting

The Group has not applied hedge accounting under IAS 39 nor will it apply hedge accounting under IFRS 9.

Transition impact

The impact of this change in accounting policy as at 1 January 2023 has resulted in increase in retained earnings by KD 2,637 thousand. The impact of applying IFRS 9 on the Group financial assets is minimal as the classification of the Group financial assets are not materially different than the classification with IAS 39 as follows:

The following table shows reconciliation of original measurement categories with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2023.

	Original classification under IAS 39	New classification under IFRS 9
Cash and bank balances	Loans and receivables	Amortised cost
Time deposits	Loans and receivables	Amortised cost
Investments held to maturity	Investments held to maturity	Amortised cost
Equity investments - Quoted	Available for sale	FVOCI
Equity investments - Quoted	FVTPL	FVTPL
Equity investments - Unquoted	Available for sale	FVOCI
Equity investments - Unquoted	FVTPL	FVTPL
Managed funds - Quoted	Available for sale	FVOCI
Bonds - Quoted	Available for sale	FVOCI
Managed funds - Unquoted	Available for sale	FVOCI
Managed funds - Quoted	FVTPL	FVTPL
Managed funds - Unquoted	FVTPL	FVTPL
Bonds - Quoted	FVTPL	FVTPL
Bonds - Unquoted	FVTPL	FVTPL

2.4 Standards issued but not yet effective

The Group has not early-adopted any standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial information. The Group intends to adopt these standards when they become effective.

Standard/Interpretation	Effective date
Amendments to IFRS 16: Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to IAS 1: Non-Current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024

2.5 Summary of material accounting policies

Product classification

Insurance contracts

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. 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. Insurance contracts can also transfer financial risk.

Investment contracts

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

IFRS 17 Insurance Contracts

Definition and classification

Contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Group to financial risk are classified as investment contracts and follow financial instruments accounting under IFRS 9. Some investment contracts without Direct Participation Feature (DPF) issued by the Group fall under this category.

Some investment contracts issued by the Group contain DPF, whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Group's discretion, potentially significant additional benefits based on the return of specified pools of investment assets. The Group accounts for these contracts under IFRS 17.

The Group issues certain insurance contracts that are substantially investment-related service contracts where the return on the underlying items is shared with policyholders. Underlying items comprise specified portfolios of investment assets that determine amounts payable to policyholders. The Group's policy is to hold such investment assets.

An insurance contract with direct participation features is defined by the Group as one which, at inception, meets the following criteria:

- the contractual terms specify that the policyholders participate in a share of a clearly identified pool of underlying items;
- the Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- the Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Investment components in savings and participating products comprise policyholder account values less applicable surrender fees.

The Group uses judgement to assess whether the amounts expected to be paid to the policyholders constitute a substantial share of the fair value returns on the underlying items.

Insurance contracts with direct participation features are viewed as creating an obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for service. The variable fee comprises the Group's share of the fair value of the underlying items, which is based on a fixed percentage of investment management fees (withdrawn from policyholder account values based on the fair value of underlying assets and specified in the contracts with policyholders) less the FCF that do not vary based on the returns on underlying items. The measurement approach for insurance contracts with direct participation features is referred to as the VFA.

The VFA modifies the accounting model in IFRS 17 (referred to as the GMM) to reflect that the consideration an entity receives for the contracts is a variable fee.

Direct participating contracts issued by the Group are contracts with direct participation features where the Group holds the pool of underlying assets and accounts for these Groups of contracts under the VFA.

Fair Value changes on Unit-Linked Investments

Fair value changes on unit-linked investments have been included within the "Finance income/expenses from insurance contracts issued" section to the consolidated statement of income. These changes are directly related to insurance contracts issued and may not represent realized gains/losses on investments. Their presentation aims to provide a more comprehensive view of the Group's financial performance.

All other insurance contracts originated by the Group are without direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts held and investment contracts with DPF, unless specifically stated otherwise.

Level of Aggregation

The Group manages insurance contracts issued by product lines within an operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into Groups of contracts that are issued within a calendar year (annual cohorts) and are:

- contracts that are onerous at initial recognition;
- contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or
- a group of remaining contracts. These Groups represent the level of aggregation at which insurance contracts are initially recognized and measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to assess whether these contracts are onerous at initial recognition and whether non-onerous contracts have a significant possibility of becoming onerous. This level of granularity determines sets of contracts. The Group uses significant judgement to determine at what level of granularity the Group has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same Group without performing an individual contract assessment.

For life risk and savings product lines, sets of contracts usually correspond to policyholder pricing groups that the Group determined to have similar insurance risk and that are priced within the same insurance rate ranges. The Group monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of these pricing groups with no information available at a more granular level.

Contracts issued within participating product lines are always priced with high expected profitability margins, and thus, such contracts are allocated to groups of contracts that have no significant possibility of becoming onerous at the time of initial recognition.

Portfolios of reinsurance contracts held are assessed for aggregation separately from portfolios of insurance contracts issued.

Before the Group accounts for an insurance contract based on the guidance in IFRS 17, it analyses whether the contract contains components that should be separated. IFRS 17 distinguishes three categories of components that have to be accounted for separately:

- cash flows relating to embedded derivatives that are required to be separated;
- cash flows relating to distinct investment components; and
- promises to transfer distinct goods or distinct non-insurance services.

Recognition

Groups of insurance contracts issued are initially recognized from the earliest of the following:

- the beginning of the coverage period;
- the date when the first payment from the policyholder is due or actually received, if there is no due date; and,
- when the Group determines that a group of contracts becomes onerous.

Insurance contracts acquired in a business combination, or a portfolio transfer are accounted for as if they were entered into at the date of acquisition or transfer.

Investment contracts with DPF are initially recognized at the date the Group becomes a party to the contract.

A group of reinsurance contracts held that covers the losses of separate insurance contracts on a proportionate basis (proportionate or quota share reinsurance) is recognized at the later of:

- the beginning of the coverage period of the Group; or
- the initial recognition of any underlying insurance contract.

The Group does not recognize a group of quota share reinsurance contracts held until it has recognized at least one of the underlying insurance contracts.

A group of reinsurance contracts held that covers aggregate losses from underlying contracts in excess of a specified amount (non-proportionate reinsurance contracts, such as excess of loss reinsurance) is recognized at the beginning of the coverage period of that Group.

Only contracts that meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the Groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohorts' restriction. Composition of the Groups is not re-assessed in subsequent periods.

Contract modification and derecognition

An insurance contract is derecognized when it is:

- extinguished (i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled); or
- the contract is modified, and certain additional criteria are met.

When an insurance contract is modified by the Group as a result of an agreement with the counterparties or due to a change in regulations, the Group treats changes in cash flows caused by the modification as changes in estimates of the FCF, unless

the conditions for the derecognition of the original contract are met. The Group derecognizes the original contract and recognizes the modified contract as a new contract if any of the following conditions are present:

- if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
 - is not in scope of IFRS 17;
 - results in different separable components;
 - results in a different contract boundary; or
 - belongs to a different group of contracts;
- the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
- the original contract was accounted for under the PAA, but the modification means that the contract no longer meets the eligibility criteria for that approach.

When an insurance contract not accounted for under the PAA is derecognized from within a group of insurance contracts, the Group:

- Adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the Group.
- Adjusts the CSM (unless the decrease in the FCF is allocated to the loss component of the LRC of the Group) in the following manner, depending on the reason for the derecognition:
 - If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.
 - If the contract is transferred to a third-party, in the amount of the FCF adjustment in (a) less the premium charged by the third-party.
 - If the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in an adjusted for the premium the Group would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification. When recognizing the new contract in this case, the Group assumes such a hypothetical premium as actually received.
- Adjusts the number of coverage units for the expected remaining coverage to reflect the number of coverage units removed.

When an insurance contract accounted for under the PAA is derecognized, adjustments to the FCF to remove relating rights and obligations and account for the effect of the derecognition result in the following amounts being charged immediately to profit or loss:

- if the contract is extinguished, any net difference between the derecognized part of the LRC of the original contract and any other cash flows arising from extinguishment;
- if the contract is transferred to the third party, any net difference between the derecognized part of the LRC of the original contract and the premium charged by the third-party;
- if the original contract is modified resulting in its derecognition, any net difference between the derecognized part of the LRC and the hypothetical premium the entity would have charged had it entered into a contract with equivalent terms as the new contract at the date of the contract modification, less any additional premium charged for the modification.

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

IFRS 17 Insurance Contracts

Fulfilment cash flows

Fulfilment cash flows within contract boundary

The FCF are the current estimates of the future cash flows within the contract boundary of a Group of contracts that the Group expects to collect from premiums and pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts.

The estimates of future cash flows:

- are based on a probability weighted mean of the full range of possible outcomes;
- are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
- reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. For contracts measured under the PAA, unless the contracts are onerous, the explicit risk adjustment for non-financial risk is only estimated for the measurement of the LIC.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the Groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

Risk of the Group's non-performance is not included in the measurement of Groups of insurance contracts issued.

In the measurement of reinsurance contracts held, the probability weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer.

The Group estimates certain FCF at the portfolio level or higher and then allocates such estimates to Groups of contracts. The Group uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the Groups of underlying insurance contracts.

Contract boundary

The Group uses the concept of contract boundary to determine what cash flows should be considered in the measurement of Groups of insurance contracts. This assessment is reviewed every reporting period.

Cash flows are within the boundary of an insurance contract if they arise from the rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Group has a substantive obligation to provide the policyholder with insurance coverage or other services. A substantive obligation ends when:

- the Group has the practical ability to reprice the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or
- both of the following criteria are satisfied:

- the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the re-assessed risk of that portfolio; and
- the pricing of premiums related to coverage to the date when risks are re-assessed does not reflect the risks related to periods beyond the re-assessment date.

In assessing the practical ability to reprice, risks transferred from the policyholder to the Group, such as insurance risk and financial risk, are considered; other risks, such as lapse or surrender and expense risk, are not included.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all the cash flows within its boundary.

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognized when those contracts meet the recognition criteria.

Cash flows are within the boundaries of investment contracts with DPF if they result from a substantive obligation of the Group to deliver cash at a present or future date.

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

The Group's quota-share life reinsurance agreements held have an unlimited duration but are cancellable for new underlying business with a one-year notice period by either party. Thus, the Group treats such reinsurance contracts as a series of annual contracts that cover underlying business issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within a one-year boundary are included in each of the reinsurance contracts' measurement.

The excess of loss reinsurance contracts held provides coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts may include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the respective reinsurance contracts' boundaries.

Cash flows that are not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognized in other operating expenses as incurred.

Measurement Model Application

The Group applies the Premium Allocation Approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds for which the coverage period is less than one year. For other contracts issued and held where the coverage period is more than one year, the Group performs PAA Eligibility testing as disclosed in note 2.3

to confirm whether the PAA may be applied. Subject to passing the PAA eligibility testing, the Group applied PAA on contract issued and reinsurance contracts held that pass the testing.

When measuring liabilities for remaining coverage (LRC), the PAA is broadly similar to the Group's previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk.

Initial measurement – groups of contracts not measured under the PAA – contractual service margin (CSM)

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Group will recognize as it provides coverage in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a Group of contracts is onerous) arising from:

- the initial recognition of the FCF;
- the derecognition at the date of initial recognition of any asset or liability recognized for insurance acquisition cash flows; and
- cash flows arising from the contracts in the group at that date.

A negative CSM at the date of inception means the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognized in the consolidated statement of income immediately with no CSM recognized on the balance sheet on initial recognition.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognized as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Group recognizes the net cost immediately in the consolidated statement of income. For reinsurance contracts held, the CSM represents a deferred gain or loss that the Group will recognize as a reinsurance expense as it receives reinsurance coverage in the future.

For insurance contracts acquired through business combination, at initial recognition, the CSM is an amount that results in no income or expenses arising from:

- the initial recognition of the FCF; and
- cash flows arising from the contracts in the Group at that date, including the fair value of the groups of contracts acquired at the acquisition date as a proxy of the premiums received.

Subsequent measurement – groups of contracts not measured under the PAA

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

- the LRC, comprising:
 - the FCF related to future service allocated to the Group at that date; and
 - the CSM of the Group at that date; and
- the LIC, comprising the FCF related to past service allocated to the Group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

- the remaining coverage, comprising:
 - the FCF related to future service allocated to the Group at that date; and
 - the CSM of the Group at that date; and
- the incurred claims, comprising the FCF related to past service allocated to the Group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Group for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

- changes that relate to current or past service are recognized in the consolidated statement of income; and
- changes that relate to future service are recognized by adjusting the CSM or the loss component within the LRC as per the policy below.

For insurance contracts under the GMM, the following adjustments relate to future service and thus adjust the CSM:

- experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
- changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
- differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
- changes in the risk adjustment for non-financial risk that relate to future service.

Adjustments a, b and c above are measured using the locked-in discount rates as described in the section Interest accretion on the CSM below.

For insurance contracts under the GMM, the following adjustments do not relate to future service and thus do not adjust the CSM:

- changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
- changes in the FCF relating to the LIC; and
- experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

For investment contracts with DPF that are measured under the GMM and provide the Group with discretion as to the timing and amount of the cash flows to be paid to the policyholders, a change in discretionary cash flows is regarded as relating to future service and accordingly adjusts the CSM. At inception of such contracts, the Group specifies its commitment as crediting interest to the policyholder's account balance based on the return on a pool of assets less a spread. The effect of discretionary changes in the spread on the FCF adjusts the CSM while the effect of changes in assumptions that relate to financial risk on this commitment are reflected in insurance finance income or expenses.

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

IFRS 17 Insurance Contracts

Changes in fulfilment cash flows (Continued)

When no commitment is specified, the effect of all changes in assumptions that relate to financial risk and changes thereof on the FCF is recognized in insurance finance expenses.

For insurance contracts under the VFA, the following adjustments relate to future service and thus adjust the CSM:

- a. changes in the Group's share of the fair value of the underlying items;
- b. changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the effect of the time value of money and financial risks including the effect of financial guarantees;
 - ii. experience adjustments arising from premiums received in the period that relate to future service and related cash flows such as insurance acquisition cash flows and premium-based taxes;
 - iii. changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
 - iv. differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
 - v. changes in the risk adjustment for non-financial risk that relate to future service. Adjustments ii.-v. are measured using the current discount rates.

For insurance contracts under the VFA, the following adjustments do not relate to future service and thus do not adjust the CSM:

- a. changes in the obligation to pay the policyholder the amount equal to the fair value of the underlying items;
- b. changes in the FCF that do not vary based on the returns of underlying items:
 - i. changes in the FCF relating to the LIC; and
 - ii. experience adjustments relating to insurance service expenses (excluding insurance acquisition cash flows).

The Group does not have any products with complex guarantees and does not use derivatives to economically hedge the risks.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Group to reflect the effect of the following changes:

- a. The effect of any new contracts added to the Group.
- b. For contracts measured under the GMM, interest accreted on the carrying amount of the CSM.
- c. Changes in the FCF relating to future service are recognized by adjusting the CSM. Changes in the FCF are recognized in the CSM to the extent the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognized in insurance service expenses and a loss component is recognized within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
- d. The effect of any currency exchange differences.
- e. The amount recognized as insurance revenue for services provided during the period determined after all other adjustments above.

For a group of reinsurance contracts held, the carrying amount of the CSM at the end of each reporting period is adjusted to reflect changes in the FCF in the same manner as a group of underlying insurance contracts issued, except that when underlying contracts are onerous and thus changes in the underlying FCF related to future service are recognized in insurance service expenses by adjusting the loss component, respective changes in the FCF of reinsurance contracts held are also recognized in the insurance service result.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items (locked-in discount rates). If more contracts are added to the existing Groups in the subsequent reporting periods, the Group revises the locked-in discount curves by calculating weighted-average discount curves over the period that contracts in the Group are issued. The weighted-average discount curves are determined by multiplying the new CSM added to the Group and their corresponding discount curves over the total CSM.

Adjusting the CSM for changes in the FCF relating to future service

The CSM is adjusted for changes in the FCF measured applying the discount rates as specified above in the Changes in fulfilment cash flows section.

Release of the CSM to statement of income

The amount of the CSM recognized in the consolidated statement of income for services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

For contracts issued, the Group determines the coverage period for the CSM recognition as follows:

- a. for term-life and universal life insurance contracts, the coverage period corresponds to the policy coverage for mortality risk; and
- b. for direct participating contracts and for investment contracts with DPF, the coverage period corresponds to the period in which insurance or investment management services are expected to be provided.

The total number of coverage units in a group is the quantity of coverage provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

- a. the quantity of benefits provided by contracts in the Group;
- b. the expected coverage duration of contracts in the Group; and
- c. the likelihood of insured events occurring, only to the extent that they affect the expected duration of contracts in the Group.

The Group uses the amount that it expects the policyholder to be able to validly claim in each period if an insured event occurs as the basis for the quantity of benefits.

The Group determines coverage units as follows:

- a. for term-life and universal life insurance contracts, coverage units are determined based on the policies' face values that are equal to the fixed death benefit amounts;

- b. for direct participating contracts, coverage units are based on the fixed death benefits amounts (during the insurance coverage period) plus policyholders' account values;
- c. for investment contracts with DPF, coverage units are based on policyholders' account values

For reinsurance contracts held, the CSM is released to profit or loss as services are received from the reinsurer in the period.

Coverage units for the proportionate term-life reinsurance contracts are based on the insurance coverage provided by the reinsurer and are determined by the ceded policies' fixed face values taking into account new business projected within the reinsurance contract boundary.

The coverage period for these contracts is determined based on the coverage of all underlying contracts whose cash flows are included in the reinsurance contract boundary. Refer to the Contract boundary section stated above.

Onerous contracts – Loss component on GMM/VFA

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous, and the Group recognizes the excess in insurance service expenses and records it as a loss component of the LRC.

When a loss component exists, the Group allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

- a. expected incurred claims and expenses for the period;
- b. changes in the risk adjustment for non-financial risk for the risk expired; and
- c. finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in a. and b. above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF in subsequent periods increase the loss component.

Initial and subsequent measurement – groups of contracts measured under the PAA

The Group uses the PAA for measuring contracts with a coverage period of one year or less and on contracts that pass the eligibility testing as stated above.

The excess of loss reinsurance contracts held provide coverage on the insurance contracts originated for claims incurred during an accident year and are accounted for under the PAA.

For insurance contracts issued, on initial recognition, the Group measures the LRC at the amount of premiums received, less any acquisition cash flows paid and any amounts arising from the derecognition of the prepaid acquisition cash flows asset.

For reinsurance contracts held on initial recognition, the Group measures the remaining coverage at the amount of ceding premiums paid.

The carrying amount of a group of insurance contracts issued at the end of each reporting period is the sum of:

- a. the LRC; and
- b. the LIC, comprising the FCF related to past service allocated to the Group at the reporting date.

The carrying amount of a group of reinsurance contracts held at the end of each reporting period is the sum of:

- a. the remaining coverage; and
- b. the incurred claims, comprising the FCF related to past service allocated to the Group at the reporting date.

For insurance contracts issued, at each of the subsequent reporting dates, the LRC is:

- a. increased for premiums received in the period;
- b. decreased for insurance acquisition cash flows paid in the period;
- c. decreased for the amounts of expected premiums received recognized as insurance revenue for the services provided in the period; and
- d. increased for the amortization of insurance acquisition cash flows in the period recognized as insurance service expenses.

For reinsurance contracts held, at each of the subsequent reporting dates, the remaining coverage is:

- a. increased for ceding premiums paid in the period; and
- b. decreased for the amounts of ceding premiums recognized as reinsurance expenses for the services received in the period.

The Group does not adjust the LRC for insurance contracts issued and the remaining coverage for reinsurance contracts held for the effect of the time value of money as insurance premiums are due within the coverage of contracts, which is one year or less.

For contracts measured under the PAA, the LIC is measured similarly to the LIC's measurement under the GMM. Future cash flows are adjusted for the time value of money since insurance contracts issued by the Group and measured under the PAA typically have a settlement period of over one year.

Onerous contracts – Loss component on PAA

For all contracts measured under PAA, the Group assumes that no such contracts are onerous at initial recognition, unless facts and circumstances indicate otherwise.

For non-onerous contracts, the Group assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous.

In addition, if facts and circumstances indicate that some contracts are onerous, an additional assessment is performed to distinguish onerous contracts from non-onerous ones. Once a group of contracts is determined as onerous on initial or subsequent assessment, loss is recognized immediately in the consolidated statement of income in insurance service expense.

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

IFRS 17 Insurance Contracts

Onerous contracts – Loss component on PAA (Continued)

The loss component is then amortized to the consolidated statement of income over the coverage period to offset incurred claims in insurance service expense. If facts and circumstances indicate that the expected profitability of the onerous group during the remaining coverage has changed, then the Group remeasures the same and adjusts the loss component as required until the loss component is reduced to zero. The loss component is measured on a gross basis but may be mitigated by a loss recovery component if the contracts are covered by reinsurance.

Insurance acquisition costs

The Group includes the following acquisition cash flows within the insurance contract boundary that arise from selling, underwriting and starting a group of insurance contracts and that are:

- costs directly attributable to individual contracts and groups of contracts; and
- costs directly attributable to the portfolio of insurance contracts to which the Group belongs, which are allocated on a reasonable and consistent basis to measure the group of insurance contracts.

Before a group of insurance contracts is recognized, the Group could pay directly attributable acquisition costs to originate them. When such prepaid costs are refundable in case of insurance contracts termination, they are recorded as a prepaid insurance acquisition cash flows asset within other assets and allocated to the carrying amount of a group of insurance contracts when the insurance contracts are subsequently recognized.

The acquisition costs are generally capitalized and recognized in the consolidated statement of income over the life of the contracts.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

The Group has chosen a confidence level in the range of the 70th to 80th percentile of the distribution of the claim reserves, considering the confidence level is adequate to cover sources of uncertainty about the amount and timing of the cash flows.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Group to the reinsurer.

Amounts recognized in the consolidated statement of comprehensive income for Insurance service result from insurance contracts issued

Insurance revenue

As the Group provides services under the group of insurance contracts, it reduces the LRC and recognizes insurance revenue. The amount of insurance revenue recognized in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, insurance revenue comprises the following:

- Amounts relating to the changes in the LRC:
 - insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
 - amounts related to the loss component;
 - repayments of investment components;
 - amounts of transaction-based taxes collected in a fiduciary capacity; and
 - insurance acquisition expenses;
 - changes in the risk adjustment for non-financial risk, excluding:
 - changes included in insurance finance income (expenses);
 - changes that relate to future coverage (which adjust the CSM); and
 - amounts allocated to the loss component;
 - amounts of the CSM recognized in statement of income for the services provided in the period; and
 - experience adjustments arising from premiums received in the period that relate to past and current service and related cash flows such as insurance acquisition cash flows and premium-based taxes.

- Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows on the basis of the passage of time over the expected coverage of a group of contracts.

For groups of insurance contracts measured under the PAA, the Group recognizes insurance revenue based on the passage of time over the coverage period of a Group of contracts.

Insurance revenue is adjusted to allow for policyholders' default on future premiums. The default probability is derived from the expected loss model prescribed under IFRS 9.

Insurance service expenses

Insurance service expenses include the following:

- incurred claims and benefits excluding investment components;
- other incurred directly attributable insurance service expenses;
- Insurance acquisitions costs incurred and amortization of insurance acquisition cash flows;
- changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
- changes that relate to future service (i.e. losses/reversals on onerous groups of contracts from changes in the loss components).

For contracts not measured under the PAA, amortization of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue as described above.

For contracts measured under the PAA, amortization of insurance acquisition cash flows is based on the passage of time.

Other expenses not meeting the above categories are included in other operating expenses in the statement of income.

Amounts recognized in comprehensive income for Insurance service result from reinsurance contracts held

Net income (expenses) from reinsurance contracts held

The Group presents financial performance of groups of reinsurance contracts held on a net basis between the amounts recoverable from reinsurers and allocation of the premiums for reinsurance contracts held, comprising the following amounts:

- reinsurance expenses (net of reinsurance premium-related commission income);
- incurred claims recovery;
- other incurred directly attributable insurance service expenses;
- effect of changes in risk of reinsurer non-performance;
- for contracts measured under the GMM, changes that relate to future service (i.e. changes in the FCF that, do not adjust the CSM for the group of underlying insurance contracts); and
- changes relating to past service (i.e. adjustments to incurred claims).

Reinsurance expenses are recognized similarly to insurance revenue. The amount of reinsurance expenses recognized in the reporting period depicts the transfer of received services at an amount that reflects the portion of ceding premiums the Group expects to pay in exchange for those services.

For contracts not measured under the PAA, reinsurance expenses comprise the following amounts relating to changes in the remaining coverage:

- insurance claims and other expenses recovery in the period measured at the amounts expected to be incurred at the beginning of the period, excluding repayments of investment components;
- changes in the risk adjustment for non-financial risk, excluding:
 - changes included in finance income (expenses) from reinsurance contracts held; and
 - changes that relate to future coverage (which adjust the CSM);
- amounts of the CSM recognized in statement of income for the services received in the period; and
- ceded premium experience adjustments relating to past and current service.

For groups of reinsurance contracts held measured under the PAA, the Group recognizes reinsurance expenses based on the passage of time over the coverage period of a group of contracts.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses.

Insurance finance income or expenses

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.

For contracts measured under the GMM, the main amounts within insurance finance income or expenses are:

- interest accreted on the FCF and the CSM;

- the effect of changes in interest rates and other financial assumptions; and
- foreign exchange differences arising from contracts denominated in a foreign currency.

For contracts measured under the VFA, the main amounts within insurance finance income or expenses are:

- changes in the fair value of underlying items;
- interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
- the effect of changes in interest rates and other financial assumptions on the FCF relating to cash flows that do not vary with returns on underlying items.

For contracts measured under the PAA, the main amounts within insurance finance income or expenses are:

- interest accreted on the LIC; and
- the effect of changes in interest rates and other financial assumptions.

The Group disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The Group disaggregates insurance finance income or expenses on insurance contracts issued for its credit life portfolio for only one of its subsidiary 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 OCI in order to minimize accounting mismatches between the accounting for financial assets and insurance assets and liabilities. For all other businesses, the Group does not disaggregate finance income and expenses because the related financial assets are managed on a fair value basis and measured at FVTPL.

For the contracts measured using the VFA, the P&L option is applied. As the Group holds the underlying items for these contracts, the use of the P&L option results in the elimination of accounting mismatches with income or expenses included in profit or loss on the underlying assets held. This is applied because the amounts of income or expenses for the underlying assets are recognized in profit or loss.

Taxation

Kuwait Foundation for the Advancement of Sciences (KFAS)

The Group calculates the contribution to KFAS at 1% of profit for the year attributable to the Parent Company in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries and transfer to statutory reserve until the reserve reaches 50% of share capital should be excluded from profit base when determining the contribution. The contribution to KFAS is payable in full before the AGM is held in accordance with the Ministerial Resolution (184/2022).

National Labour Support Tax (NLST)

The Group calculates the NLST in accordance with Law No. 19 of 2000 and related resolutions at 2.5% of taxable profit for the year. As per the law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

IFRS 17 Insurance Contracts

Taxation (Continued)

Zakat

Contribution to Zakat is calculated at 1% of the profit of the Group in accordance with the Ministry of Finance resolution No. 58/2007 effective from 10 December 2007.

Taxation on overseas subsidiaries

Taxation on overseas Subsidiaries is calculated on the basis of the tax rates applicable and prescribed according to the prevailing laws, regulations and instructions of the countries where these subsidiaries operate.

IFRS 9 Financial Instruments

Initial Recognition and subsequent measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of "Sell" business model.

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

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

Assessment of whether contractual cashflows are solely payments of principal and interest (SPPI test)

The Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the "SPPI test").

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition that may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise

to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

The Group reclassifies when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Measurement categories of financial assets and liabilities

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in other comprehensive income with no subsequent reclassification to the consolidated statement of income.

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

Debt instruments at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

Debt instruments measured at amortised cost are subsequently measured at amortised cost using the effective yield method adjusted for impairment losses, if any.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Since the Group's financial assets (cash and bank balances, time deposits, debt instruments at amortised cost) meet these conditions, they are subsequently measured at amortised cost.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flow, cash and cash equivalent consist of cash on hand and at banks and short-term deposits and call accounts.

Short- and long-term deposits

Short-term deposits comprise of time deposits with banks with maturity periods of more than three months and less than one year from the date of acquisition. Long-term deposits represent time deposits with maturity periods of more than one year from the date of placement

Equity instruments at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to the consolidated statement of income. Dividends are recognised in consolidated statement of income when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the consolidated statement of financial position.

Debt instruments at FVOCI

The Group applies the category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

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

This category only includes debt instruments, which the Group intends to hold for the foreseeable future, and which may be sold in response to needs for liquidity or in response to changes in market conditions. The Group classified its debt instruments at FVOCI. Debt instruments at FVOCI are subject to an impairment assessment under IFRS 9.

Financial assets at FVTPL

The Group classifies financial assets fair value through profit and loss when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. Held-for-trading assets are recorded and measured in the consolidated statement of financial position at fair value. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Changes in fair values and dividends are recorded in consolidated statement of income according to the terms of the contract, or when the right to payment has been established.

Included in this classification are certain equity securities that have been acquired principally for the purpose of selling or repurchasing in the near term and certain debt instruments that failed the SPPI test.

For unit linked investments for insurance contracts issued with discretionary participation features, the Group has elected to measure those investments at FVTPL to compensate insurance finance income/expense. That election is irrevocable and made on an instrument-by-instrument basis.

Derecognition

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the Group has transferred its contractual rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a "pass-through" arrangement; and either:
 - a. the Group has transferred substantially all the risks and rewards of the asset, or
 - b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (ECL) on financial assets measured at amortized cost and debt investments measured at FVOCI.

The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of resources; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are recognized in two stages, 12-month expected credit losses and Lifetime expected credit losses.

The Group measures 12-month expected credit losses in following cases:

- debt securities that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk has not increased significantly since initial recognition.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that results from default

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

IFRS 9 Financial Instruments (Continued)

Impairment of financial assets (Continued)

events that are possible within the 12 months after the reporting date. In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

Credit impaired financial assets:

At each reporting date, the Group assesses whether financial assets measured at amortized cost and debt investments at FVOCI are credit impaired. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

The Group does, however, consider that there has been a significant increase in credit risk for a previously assessed low credit risk investment when any contractual payments on these instruments are past due or there is a downgrade in credit ratings by two notches or more compare to the credit rating at the beginning of the financial reporting period.

Recognition of ECL

Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset (either partially or in full), the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease is related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed in profit or loss.

Presentation of loss allowances in the statement of financial position:

Loss allowances for expected credit losses are presented as follows:

- financial assets measured at amortized cost: the loss allowance is deducted from the gross carrying amount of the assets;
- the ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortized cost is recognized in the statement of comprehensive income with a corresponding charge to the statement of income.

The calculation of ECLs

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

- PD: The Probability of Default is an estimate of the likelihood of default over a given time horizon. It is estimated with consideration of economic scenarios and forward-looking information.
- EAD: The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, and accrued interest from missed payments.
- LGD: The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

The Group allocates its assets subject to ECL calculations to one of these categories, determined as follows:

Stage 1 – 12-month ECL (12mECL):

The 12mECL is calculated as the portion of lifetime ECLs (LTECLs) that represent the ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an appropriate effective interest rate (EIR).

Stage 2 – LTECL:

When an instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected losses are discounted by an appropriate EIR.

Stage 3 – Credit impaired:

For debt instruments considered credit-impaired, the Group recognizes the lifetime expected credit losses for these instruments. The method is similar to that for LTECL assets, with the PD set at 100%.

Forward-looking information

In its ECL models, the Company relies on a broad range of forward-looking information as economic inputs, such as:

- GDP growth.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

Liability adequacy test

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

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

Property and equipment

Land and buildings are accounted for under the revaluation model less accumulated depreciation on buildings and impairment losses recognised at the date of revaluation. Land is not depreciated. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in consolidated statement of income, the increase is recognised in profit and loss. A revaluation deficit is recognised in the consolidated statement of consolidated statement of income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Furniture and fixtures, motor vehicles and leasehold improvements are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is provided on a straight-line basis over the useful lives of the following classes of assets:

Buildings	20-50	years
Leasehold improvements	Up to 7	years
Computers	3-5	years
Furniture and fixtures	1-5	years
Equipment	3-4	years
Motor vehicles	1-4	years

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in associates is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of income reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. At each reporting date, the Group determines whether there is any objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and then recognises the amount in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of income.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised software development costs, are not capitalised and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

Intangible assets (Continued)

Amortization is provided on a straight-line basis over the useful lives of the following classes of assets and is recognised in the consolidated statement of income:

Computer software	4	Years
Distribution network	12	Years
Customer relation	5	Years
license for life insurance business	Indefinite life	

Intangible assets with indefinite useful lives are not amortised but are tested for impairment annually or more frequently if events or change in circumstances indicate the carrying value may be impaired, either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated statement of income when the asset is derecognised.

Goodwill

Accounting policy relating to goodwill is documented in the accounting policy "Business combinations and goodwill".

Investment properties

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date that is determined based on valuation performed by an independent valuer using valuation methods consistent with the nature and usage of the investment properties. Gains or losses arising from changes in the fair value of investment properties are included in the consolidated statement of income in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation

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

Lease liabilities

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

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

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

Short-term leases and leases of low-value assets

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

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are 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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs, to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses are recognised in the consolidated statement of income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income.

The following criteria are also applied in assessing impairment of goodwill:

Goodwill

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than their carrying amount, an impairment loss is recognised.

Previously recorded impairment losses for goodwill are not reversed in future periods.

Fair value measurement

For those assets and liabilities carried at fair value, the Group measures fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The Group must be able to access the principal or the most advantageous market at the measurement date.

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

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

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

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

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

Investments with no reliable measure of their fair value and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

End of service indemnity

Provision is made for amounts payable to employees under the Kuwaiti Labour Law, employee contracts and applicable labour laws in the countries where the subsidiaries operate. This liability, which is unfunded, represents the amount payable to each employee as a result of involuntary termination on reporting date. With respect to its national employees, the Group makes contributions to the Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions which are expensed when due.

Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (Treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares

Notes to Consolidated Financial Statements (continued)

2.5 Summary of material accounting policies (Continued)

Treasury shares (Continued)

account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

Foreign currency transactions

The Group's consolidated financial statements are presented in Kuwaiti Dinars, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

i) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange at the reporting date.

All differences arising on settlement or translation of monetary items are taken to the consolidated statement of income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed, at which time, the cumulative amount is reclassified to the consolidated statement of income. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or consolidated statement of income is also recognised in other comprehensive income or consolidated statement of income, respectively).

ii) Group companies

On consolidation, assets and liabilities of foreign operations are translated into Kuwaiti dinars at the rate of exchange prevailing at the reporting date and their statements of income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of income.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Other reserve

Other reserve is used to record the effect of changes in ownership interest in subsidiaries, without loss of control.

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs-to-sell. Costs-to-sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit or loss.

Hyperinflation accounting

IAS 29 "Financial Reporting in Hyperinflationary Economies" requires that the financial statements of an entity whose functional currency is that of a hyperinflationary economy be stated in the measuring unit currency at the reporting period end. IAS 29 provides certain qualitative and quantitative guidelines to determine the existence of a hyperinflationary economy. Accordingly, hyperinflation shall be deemed to exist where the last three years' cumulative inflation approaches or exceeds 100%.

From 1 April 2022, the Turkish economy is considered to be hyperinflationary in accordance with the criteria in IAS 29. This requires purchasing power adjustment to the carrying values of the non-monetary assets and liabilities and to items in the consolidated statement of comprehensive income with respect to subsidiaries of the Group operating in Turkey.

Hyperinflation accounting

On the application of IAS 29 the Group used the conversion factor derived from the consumer price index ("CPI") in Turkey. The CPIs and corresponding conversion factors are since 2005 when Turkey previously ceased to be considered hyperinflationary.

The index and corresponding conversion factors are as follows:

31 December 2022	1,128.45
31 December 2023	1,859.38

Adjustment of the historical carrying values of non-monetary assets and liabilities and the various items of equity from their date of acquisition or inclusion in the consolidated statement of financial position to the end of the reporting period to reflect the changes in purchasing power of the currency caused by inflation, according to the indices published by the Turkish Statistical Institute. Since the Group's comparative

2.6 Significant accounting judgements, estimates and assumptions

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

Following are the accounting judgements and estimates that are critical in preparation of these consolidated financial statements:

Insurance and reinsurance contracts

i. PAA Eligibility Assessment

The Group has calculated a Liability for remaining coverage (LRC) and Asset for remaining coverage (ARC) for those groups of insurance contracts written and reinsurance contracts held respectively where the coverage period was more than one year except long-term life insurance contracts with participation features for which Variable Fee Approach (VFA) has been applied. This testing has been performed on following insurance and corresponding reinsurance contracts:

- Medical - Long-term
- Engineering - Long-term
- Property - Long-term
- Motor third-party liability

After calculating the liabilities/assets applying to the PAA and GMM approach respectively, Group then checks for any material differences for the contracts with coverage period of more than one year. In case the Group notes any material differences, it follows the GMM approach,

amounts are presented in a stable currency, these comparative amounts are not restated. The statement of comprehensive income in 2022 included the cumulative impact of prior years.

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current. Non monetary assets and liabilities are restated by applying the relevant index from the date of acquisition or initial recording and are subject to impairment assessment with the guidance in the relevant IFRS. The components of shareholders' equity are restated by applying the applicable general price index from the dates when components were contributed or otherwise arose.

All items in the statement of income are restated by applying the relevant conversion factors, except for restatement of certain specific income statement items which arise from the restatement of non-monetary assets and liabilities like amortization and gain or loss on sale of fixed assets.

The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, liabilities, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in the statement of income.

and where there is no material difference, the Group has opted for PAA approach. The calculation was performed under both simplified approaches i.e., Premium Allocation Approach (PAA) and General Measurement Model (GMM).

Situations, which may cause the LRC and/or ARC under the PAA to differ from the LRC and/or ARC under the GMM:

- When the expectation of the profitability for the remaining coverage changes at a particular valuation date during the coverage period of a group of contracts;
- If yield curves change significantly from those in place at the group's initial recognition;
- When the incidence of claims occurrence differs from the coverage units; and
- The effect of discounting under the GMM creates an inherent difference, this difference compounds over longer contract durations.

ii. Liability for remaining coverage

Acquisition cash flows

The acquisition costs are generally capitalized and recognized in the consolidated statement of income over the life of the contracts.

Expected premium receipts adjustment

Insurance revenue will be adjusted with the amounts of expected premium receipts adjustment calculated on premiums not yet collected as of the date of the statement of financial position. The computation is performed using IFRS 9 simplified approach to calculate Expected Credit Loss (ECL) allowance. The corresponding impact of this adjustment is recorded in the LRC.

Notes to Consolidated Financial Statements (continued)

2.6 Significant accounting judgements, estimates and assumptions (Continued)

Insurance and reinsurance contracts (Continued)

iii. Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analyzed by accident years, but can also be further analyzed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios (except for one of the Group's subsidiaries). Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency exchange rates.

iv. Onerousness determination

For contracts measured under GMM and VFA, A group of contracts is onerous at initial recognition if there is a net outflow of fulfilment cash flows. As a result, a liability for the net outflow is recognized as a loss component within the liability for remaining coverage and a loss is recognized immediately in the statement of income in insurance service expense. The loss component is then amortized to statement of income over the coverage period to offset incurred claims in insurance service expense.

For contracts measured under PAA, the Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Group also considers facts and circumstances to identify whether a group of contracts are onerous based on the following key inputs:

- Pricing information: Underwriting combined ratios and price adequacy ratios;
- Historical combined ratio of similar and comparable sets of contracts;

- Any relevant inputs from underwriters;
- Other external factors such as inflation and change in market claims experience or change in regulations; and
- For subsequent measurement, the Group also relies on the same group of contracts' weighted actual emerging experience.

v. Expense attribution

The Group identifies expenses which are directly attributable towards acquiring insurance contracts (acquisition costs) and fulfilling/maintaining (other attributable expenses) such contracts and those expenses which are not directly attributable to the aforementioned contracts (non-attributable expenses). Acquisition costs, such as underwriting costs including other expenses except for initial commission paid, are no longer recognized in the statement of income when incurred and instead spread over the lifetime of the group of contracts based on the passage of time.

Other attributable expenses are allocated to the groups of contracts using an allocation mechanism considering the activity-based costing principles. The Group has determined costs directly identified to the groups of contracts, as well as costs where a judgement is applied to determine the share of expenses as applicable to that group.

On the other hand, non-directly attributable expenses and overheads are recognized in the statement of income immediately when incurred. The proportion of directly attributable and non-attributable costs at inception will change the pattern at which expenses are recognized.

vi. Estimates of future cash flows

The Group primarily uses deterministic projections to estimate the present value of future cash flows.

The following assumptions were used when estimating future cash flows:

• Mortality and morbidity rates (insurance risk and reinsurance business)

Assumptions are based on standard industry and national tables, according to the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the Group's own experiences. An appropriate, but not excessive, allowance is made for expected future improvements. Assumptions are differentiated by policyholder gender, underwriting class and contract type. An increase in expected mortality and morbidity rates will increase the expected claim cost which will reduce future expected profits of the Group.

• Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in the expected level of expenses will reduce future expected profits of the Group. The cash flows within the contract boundary include an allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts. (Such overheads are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics).

• Lapse and surrender rates

Lapses relate to the termination of policies due to non-payment of premiums. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits of the Group, but later increases are broadly neutral in effect.

vii. Discount rates

The Group adopt a bottom-up approach in deriving appropriate discount rates. The starting point for these discount rates will be appropriate reference liquid risk-free curves - taking consideration for the currency characteristics of the contracts and their respective cash flows. The risk-free reference curve will be the Moody's Analytics yield curves for risk-free rates for USD adjusted for illiquidity premiums, and the relevant country specific risk premium will be loaded as required.

The bottom-up approach was used to derive the discount rate for the cash flows that do not vary based on the returns on underlying items in the Participating contracts (excluding investment contracts without DPF that are not in the scope of IFRS 17). Under this approach, the discount rate is determined as the risk-free yield adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). Direct participating contracts and investment contracts with DPF are considered less liquid than the financial assets used to derive the risk-free yield. For these contracts, the illiquidity premium was estimated based on market observable liquidity premium in financial assets adjusted to reflect the illiquidity characteristics of the liability cash flows.

viii. Risk adjustments

IFRS 17 requires to measure insurance contracts at initial recognition as the sum of the following items:

- Fulfilment Cash Flow (FCF) comprising the Present Value of Future Cash Flows (PVFCF) with an appropriate discounting structure
- Risk Adjustment (RA) for non-financial risk
- Contractual Service Margin (CSM)

The risk adjustment for non-financial risk is the compensation that the entity requires for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk.

Derivation of the risk adjustment

The Group has determined that the derivation of the risk adjustment shall be performed at subsidiary level using an appropriate methodology that is in line with IFRS 17 guidelines. The Group's consolidated risk adjustment is the aggregation of all subsidiaries' risk adjustments, without allowance for correlation among subsidiaries (i.e., no diversification benefit is considered at the Group level).

The Risk Adjustment for the Liability for Incurred Claims (LIC) has been estimated based on the quantile approach performed on each subsidiary's triangles with consideration to market benchmarks.

The Group has set a target confidence level in the range of the 70th to 80th percentile, on a diversified basis, at an aggregate subsidiary level (i.e., diversification is allowed among the actuarial segments within the subsidiary itself). The Group applies judgement to determine the appropriate Risk Adjustment based on the non-financial risks associated with their portfolios of insurance contracts to determine the desired Risk Adjustment.

ix. Sensitivities on major assumptions considered while applying IFRS 17

The sensitivity analysis is done to evaluate the impact on gross and net liabilities for reasonably possible movements in key assumptions. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The sensitivity analysis performed during the year and has been presented under Note 8.

x. Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 12.

xi. Classification of financial assets

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

xii. Classification of investment property

The Group classifies property as investment property if it is acquired to generate rental income or for capital appreciation, or for undetermined future use.

Notes to Consolidated Financial Statements (continued)

3 Net investment income

	2023 Total	2022 Total
	KD 000's	KD 000's
Realized gain on sale of investments	1,250	5,535
Unrealized gain on investments	9,724	839
Dividend income	2,504	1,871
Interest income	29,927	21,083
Foreign exchange gain	3,284	231
Share of result from associates (Note 10)	2,318	2,389
Rental income from investment properties	396	464
Other investment income (expense), net	(959)	(1,842)
	48,444	30,570

4 Basic and diluted earnings per share attributable to equity holders of the Parent Company

Basic earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares, less weighted average number of treasury shares outstanding during the year. Diluted earnings per share is calculated by dividing profit for the year attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less weighted average number of treasury shares, outstanding during the year plus the weighted average number of ordinary shares

that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares which is reserved from employees' share option scheme.

The information necessary to calculate basic and diluted earnings per share based on weighted average number of share outstanding during the year is as follow:

	2023	2022
	Shares	Shares
Weighted average number of shares outstanding during the year, net of treasury shares	283,751,067	283,751,067
Basic and diluted earnings per share attributable to equity holders of the Parent Company	74.735 fils	117.624 fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

5 Cash and cash equivalents

	2023	2022
	KD 000's	KD 000's
Cash on hand and at banks	55,355	75,349
Short-term deposits	110,479	152,399
	165,834	227,748

As at 31 December 2023, certain bank balances amounting to KD 28,463 thousands (31 December 2022: KD 1,005) are restricted statutory required balances and are not available for use in the day-to-day operations.

6 Term deposits

Term deposits of KD 53,245 thousand (2022: KD 61,107 thousand) are placed with local and foreign banks and carry an average effective interest rate ranging from 1.10% to 7.25% (2022: from 1.75% to 5.85%) per annum. Term deposits mature after one year.

7 Other assets

	2023	2022
	KD 000's	KD 000's
Accrued interest and dividends income	7,396	4,326
Refundable deposits	605	930
Right of use assets	5,348	4,521
Deferred tax	3,231	2,544
Prepaid expenses	3,824	5,330
Due from participants fund of the takaful business	3,814	12,656
Advance towards acquisition of investment	8,140	7,531
Others	13,149	19,938
	45,507	57,776

8 Insurance and reinsurance contracts

The breakdown of groups of insurance and reinsurance contracts issued, and reinsurance contracts held, that are in an asset position and those in a liability position is set out in the table below:

	Valuation Approach	31 December 2023			31 December 2022		
		Assets KD 000'	Liabilities KD 000'	Net KD 000'	Assets KD 000'	Liabilities KD 000'	Net KD 000'
Insurance contract assets & liabilities							
Medical	PAA	2,712	101,508	(98,796)	13,154	98,378	(85,224)
Marine and aviation	PAA	17	28,248	(28,231)	290	22,758	(22,468)
Motor	PAA	554	141,126	(140,572)	84	146,894	(146,810)
Property	PAA	2,176	75,983	(73,807)	2,529	63,387	(60,858)
General insurance	PAA	349	32,025	(31,676)	669	27,216	(26,547)
Engineering	PAA	205	66,820	(66,615)	373	61,423	(61,050)
Liability	PAA	144	24,640	(24,496)	112	27,417	(27,305)
Life	PAA	240	20,000	(19,760)	1,807	20,738	(18,931)
Total - PAA (Note 8.1)		6,397	490,350	(483,953)	19,018	468,211	(449,193)
Life	GMM	447	51,607	(51,160)	334	48,918	(48,584)
Life	VFA	126	35,889	(35,763)	(221)	26,785	(27,006)
Total - GMM/VFA (Note 8.2)		573	87,496	(86,923)	113	75,703	(75,590)
Total insurance contract assets & liabilities		6,970	577,846	(570,876)	19,131	543,914	(524,783)
Reinsurance contract assets & liabilities							
Medical	PAA	65,336	9,329	56,007	49,867	385	49,482
Marine and aviation	PAA	12,261	1,942	10,319	8,334	1,816	6,518
Motor	PAA	4,746	708	4,038	3,445	1,099	2,346
Property	PAA	49,087	16,486	32,601	29,040	7,909	21,131
General insurance	PAA	9,531	2,911	6,620	13,365	3,508	9,857
Engineering	PAA	54,196	597	53,599	65,851	622	65,229
Liability	PAA	14,427	1,071	13,356	12,614	3,913	8,701
Life	PAA	7,311	2,847	4,464	6,537	4,685	1,852
Total - PAA (Note 8.3)		216,895	35,891	181,004	189,053	23,937	165,116
Life	GMM	25,053	35	25,018	23,013	400	22,613
Life	VFA	321	127	194	291	(396)	687
Total - GMM/VFA (Note 8.4)		25,374	162	25,212	23,304	4	23,300
Total reinsurance contract assets & liabilities		242,269	36,053	206,216	212,357	23,941	188,416

Notes to Consolidated Financial Statements (continued)
8 Insurance and reinsurance contracts (Continued)

8.1 Analysis of insurance contract assets and liabilities for contracts measured under PAA

	31 December 2023					31 December 2022				
	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		Total	Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'
Opening liabilities	95,987	8,294	320,590	43,340	468,211	91,668	11,982	400,300	65,041	568,991
Opening assets	(82,974)	134	62,820	1,002	(19,018)	(81,912)	52	45,170	2,722	(33,968)
Net opening balance	13,013	8,428	383,410	44,342	449,193	9,756	12,034	445,470	67,763	535,023
Arising from Acquisition of Subsidiaries	1,527	-	443	-	1,970	-	-	-	-	-
Reduced on Divestiture of Subsidiaries	(16)	-	(167)	-	(183)	-	-	-	-	-
Insurance revenue	(807,289)	-	-	-	(807,289)	(756,726)	-	-	-	(756,726)
Insurance service expenses	-	-	-	-	-	-	-	-	-	-
Incurred claims	-	1,096	649,518	21,336	671,950	-	803	627,359	21,699	649,861
Other directly attributable expenses	-	-	44,955	-	44,955	-	-	48,413	1,913	50,326
Changes that relate to past service-Changes in FCF relating to LIC	-	-	(82,711)	(27,995)	(110,706)	-	-	(141,457)	(46,913)	(188,370)
Loss reversals on onerous contracts	-	(1,325)	-	-	(1,325)	-	(4,511)	-	-	(4,511)
Insurance acquisition cash flows amortisations	80,944	-	-	-	80,944	72,780	-	-	-	72,780
Insurance service expenses	80,944	(229)	611,762	(6,659)	685,818	72,780	(3,708)	534,315	(23,301)	580,086
Insurance service result	(726,345)	(229)	611,762	(6,659)	(121,471)	(683,946)	(3,708)	534,315	(23,301)	(176,640)
Net finance expense/(income) from insurance contracts	-	-	13,690	1,687	15,377	-	-	168	351	519
Foreign currencies adjustment to comprehensive income	(3,962)	41	(8,162)	(732)	(12,815)	(3,363)	102	(11,803)	(471)	(15,535)
Total changes in the statement of income	(730,307)	(188)	617,290	(5,704)	(118,909)	(687,309)	(3,606)	522,680	(23,421)	(191,656)
Investment components	(460)	-	(225)	-	(685)	239	-	(184)	-	55
Cash flows	-	-	-	-	-	-	-	-	-	-
Premiums received	843,875	-	-	-	843,875	767,840	-	-	-	767,840
Claims and other directly attributable expenses paid	-	-	(589,682)	-	(589,682)	-	-	(584,556)	-	(584,556)
Insurance acquisition cash flows	(101,626)	-	-	-	(101,626)	(77,513)	-	-	-	(77,513)
Total cash flows	742,249	-	(589,682)	-	152,567	690,327	-	(584,556)	-	105,771
Net closing balance	26,006	8,240	411,069	38,638	483,953	13,013	8,428	383,410	44,342	449,193
Closing liabilities	79,190	8,240	365,289	37,631	490,350	95,987	8,294	320,590	43,340	468,211
Closing assets	(53,184)	-	45,780	1,007	(6,397)	(82,974)	134	62,820	1,002	(19,018)
Net closing balance	26,006	8,240	411,069	38,638	483,953	13,013	8,428	383,410	44,342	449,193

Notes to Consolidated Financial Statements (continued)
8 Insurance and reinsurance contracts (Continued)

8.2 Analysis of insurance contract assets and liabilities for contracts measured under GMM/VFA

	31 December 2023					31 December 2022						
	LRC		Estimates of the present value of future cash flows	Risk adjustment	LIC	Total	LRC		Estimates of the present value of future cash flows	Risk adjustment	LIC	Total
	Excluding loss component	Loss component					Excluding loss component	Loss component				
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'		KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'
Opening liabilities	68,443	4,117	2,856	287	75,703	69,281	559	2,963	305	73,108		
Opening assets	(748)	525	99	11	(113)	(529)	256	89	9	(175)		
Net opening balance	67,695	4,642	2,955	298	75,590	68,752	815	3,052	314	72,933		
Insurance revenue	(11,009)	-	-	-	(11,009)	(8,178)	-	-	-	(8,178)		
Insurance service expenses												
Incurred claims	-	(368)	4,754	263	4,649	-	-	4,417	137	4,554		
Other directly attributable expenses	-	-	(879)	-	(879)	-	-	(59)	-	(59)		
Changes that relate to past service-Changes in FCF relating to LIC	-	-	711	(61)	650	-	-	184	(160)	24		
Losses/(loss reversals) on onerous contracts	-	318	-	-	318	-	4,836	-	-	4,836		
Insurance acquisition cash flows amortisations	640	-	-	-	640	273	-	-	-	273		
Insurance service expenses	640	(50)	4,586	202	5,378	273	4,836	4,542	(23)	9,628		
Insurance service result	(10,369)	(50)	4,586	202	(5,631)	(7,905)	4,836	4,542	(23)	1,450		
Net finance expense/(income) from insurance contracts	5,645	49	(59)	15	5,650	165	43	(89)	3	122		
Foreign currencies adjustment to comprehensive income	(1,947)	(704)	15	2	(2,634)	(2,810)	(1,052)	38	4	(3,820)		
Total changes in the statement of income and OCI	(6,671)	(705)	4,542	219	(2,615)	(10,550)	3,827	4,491	(16)	(2,248)		
Investment component	(5,119)	-	3,247	-	(1,872)	196	-	2,405	-	2,601		
Cash flows:												
Premiums received	28,003	-	-	-	28,003	13,297	-	-	-	13,297		
Claims and other directly attributable expenses paid	-	-	(6,040)	-	(6,040)	-	-	(6,993)	-	(6,993)		
Insurance acquisition cash flows	(6,143)	-	-	-	(6,143)	(4,000)	-	-	-	(4,000)		
Net cash flows	21,860	-	(6,040)	-	15,820	9,297	-	(6,993)	-	2,304		
Net closing balance	77,765	3,937	4,704	517	86,923	67,695	4,642	2,955	298	75,590		
Closing liabilities	78,386	3,935	4,663	512	87,496	68,443	4,117	2,856	287	75,703		
Closing assets	(621)	2	41	5	(573)	(748)	525	99	11	(113)		
Net closing balance	77,765	3,937	4,704	517	86,923	67,695	4,642	2,955	298	75,590		

Notes to Consolidated Financial Statements (continued)

8 Insurance and reinsurance contracts (Continued)

8.2 Analysis of insurance contract assets and liabilities for contracts measured under GMM/VFA (Continued)

8.2.1 Reconciliation of insurance contract assets and liabilities by components for contracts measured under GMM / VFA

	31 December 2023				31 December 2022				
	Estimates of the present value of future cash flows	Risk Adjustment for non-financial risk	Contractual Service Margin (CSM)	Total	Estimates of the present value of future cash flows	Risk Adjustment for non-financial risk	Contractual Service Margin (CSM)	Total	
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	
Opening liabilities	52,308	2,806	20,589	75,703	41,022	5,629	26,457	73,108	
Opening assets	(1,101)	189	799	(113)	(972)	138	659	(175)	
Net opening balance	51,207	2,995	21,388	75,590	40,050	5,767	27,116	72,933	
Changes that relate to current services:									
CSM recognized in statement of income for services provided	-	-	(5,393)	(5,393)	-	-	(4,162)	(4,162)	
Changes in risk adjustment for risks expired	-	(872)	-	(872)	-	(920)	-	(920)	
Experience Adjustments-Premium and Associated Cash flows	36	-	-	36	1,401	-	-	1,401	
Experience adjustments-relating to insurance service expenses	(245)	-	-	(245)	213	-	-	213	
	(209)	(872)	(5,393)	(6,474)	1,614	(920)	(4,162)	(3,468)	
Changes that relate to future services:									
Changes in estimates that adjust the CSM	(10,884)	1,560	9,353	29	(8,931)	689	8,322	80	
Changes in estimate that results in onerous contract losses or (reversal) of such losses	576	(656)	-	(80)	5,616	(1,008)	-	4,608	
Contracts initially recognized during the year	(6,494)	948	5,963	417	(8,350)	1,065	7,476	191	
Experience adjustments-arising from premiums received in the period that relate to future service	998	-	(1,017)	(19)	1,917	-	(1,943)	(26)	
	(15,804)	1,852	14,299	347	(9,748)	746	13,855	4,853	
Changes that relate to past services:									
Changes that relate to past service-changes in the FCF relating to the LIC	557	(61)	-	496	226	(161)	-	65	
Insurance service result	(15,456)	919	8,906	(5,631)	(7,908)	(335)	9,693	1,450	
Net finance expense/(income) from insurance contracts	1,338	172	4,140	5,650	13,105	(1,755)	(11,228)	122	
Foreign currencies adjustment to comprehensive income	(133)	(161)	(2,340)	(2,634)	1,055	(682)	(4,193)	(3,820)	
Total changes in the statement of income	(14,251)	930	10,706	(2,615)	6,252	(2,772)	(5,728)	(2,248)	
Investment component variance	(1,872)	-	-	(1,872)	2,601	-	-	2,601	
Insurance acquisition cash flows asset and other pre-requisition cash flows derecognised and other changes	(41)	-	-	(41)	-	-	-	-	
Cash flows:									
Premiums received	28,003	-	-	28,003	13,297	-	-	13,297	
Claims and other directly attributable expenses paid	(6,040)	-	-	(6,040)	(6,993)	-	-	(6,993)	
Insurance acquisition cash flows	(6,143)	-	-	(6,143)	(4,000)	-	-	(4,000)	
Total cash flows	15,820	-	-	15,820	2,304	-	-	2,304	
Net closing balance	50,904	3,925	32,094	86,923	51,207	2,995	21,388	75,590	
Closing liabilities	52,356	3,760	31,380	87,496	52,308	2,806	20,589	75,703	
Closing assets	(1,452)	165	714	(573)	(1,101)	189	799	(113)	
Net closing balance	50,904	3,925	32,094	86,923	51,207	2,995	21,388	75,590	

Notes to Consolidated Financial Statements (continued)
8 Insurance and reinsurance contracts (Continued)

8.3 Analysis of reinsurance contract assets and liabilities for contracts measured under PAA

	31 December 2023					31 December 2022				
	Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		Total	Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		Total
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'
Opening liabilities	(39,553)	-	14,249	1,367	(23,937)	(31,002)	-	19,355	1,514	(10,133)
Opening assets	(91,655)	-	263,671	17,037	189,053	(80,593)	-	298,908	34,153	252,468
Net opening balance	(131,208)	-	277,920	18,404	165,116	(111,595)	-	318,263	35,667	242,335
Arising from Acquisition of Subsidiaries	(1,051)	-	495	-	(556)	-	-	-	-	-
Reduced on Divestiture of Subsidiaries	421	-	(227)	-	194	-	-	-	-	-
Changes in the statement of income										
Reinsurance expenses	(306,186)	-	-	-	(306,186)	(287,944)	-	-	-	(287,944)
Amounts recoverable from reinsurers										
Other incurred directly attributable expenses	-	-	(549)	-	(549)	-	-	(543)	-	(543)
Incurred claims recovery	-	-	371,465	9,537	381,002	-	-	323,648	10,592	334,240
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	(138,271)	(10,211)	(148,482)	-	-	(148,125)	(27,499)	(175,624)
Change in provision for risk of non-performance	-	-	(772)	-	(772)	-	-	(212)	-	(212)
Net expense from reinsurance contracts held	(306,186)	-	231,873	(674)	(74,987)	(287,944)	-	174,768	(16,907)	(130,083)
Net finance income/(expense) from reinsurance contracts	-	-	7,551	1,101	8,652	-	-	942	237	1,179
Foreign currencies adjustment to comprehensive income	968	-	(7,437)	(656)	(7,125)	2,932	-	(10,354)	(593)	(8,015)
Total amounts recognised in comprehensive income	(305,218)	-	231,987	(229)	(73,460)	(285,012)	-	165,356	(17,263)	(136,919)
Cash flows										
Premiums paid	320,311	-	(17,172)	-	303,139	265,399	-	(240)	-	265,159
Claims and other recoveries	-	-	(213,429)	-	(213,429)	-	-	(205,459)	-	(205,459)
Total cash flows	320,311	-	(230,601)	-	89,710	265,399	-	(205,699)	-	59,700
Net closing balance	(116,745)	-	279,574	18,175	181,004	(131,208)	-	277,920	18,404	165,116
Closing liabilities	(43,466)	-	7,070	505	(35,891)	(39,553)	-	14,249	1,367	(23,937)
Closing assets	(73,279)	-	272,504	17,670	216,895	(91,655)	-	263,671	17,037	189,053
Net closing balance	(116,745)	-	279,574	18,175	181,004	(131,208)	-	277,920	18,404	165,116

Notes to Consolidated Financial Statements (continued)
8 Insurance and reinsurance contracts (Continued)

8.4 Analysis of reinsurance contract assets and liabilities for contracts measured under GMM/VFA

	31 December 2023					31 December 2022				
	Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		Total	Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		Total
	Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment		Excluding loss recovery component	Loss recovery component	Estimates of the present value of future cash flows	Risk adjustment	
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'
Opening liabilities	(30)	26	-	-	(4)	884	-	-	-	884
Opening assets	21,181	127	1,811	185	23,304	19,077	123	1,936	195	21,331
Net opening balance	21,151	153	1,811	185	23,300	19,961	123	1,936	195	22,215
Changes in the statement of income:										
Allocation of reinsurance premiums:										
Reinsurance expenses	(5,729)	-	-	-	(5,729)	(4,262)	-	-	-	(4,262)
Other incurred directly attributable expenses	-	-	(45)	-	(45)	-	-	(54)	-	(54)
Incurred claims recovery	-	-	2,761	148	2,909	-	-	1,684	85	1,769
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	-	386	(31)	355	-	-	300	(99)	201
Income on initial recognition of onerous underlying contracts	-	(4)	-	-	(4)	-	(4)	-	-	(4)
Reversal of a loss recovery component other than changes in FCF for RI contracts held	-	2	-	-	2	-	3	-	-	3
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	154	(3)	-	-	151	-	26	-	-	26
Effect of changes in risk of non-performance by issuer of reinsurance contracts held	1	-	-	-	1	1	-	-	-	1
Net income/expense from reinsurance contracts held	(5,574)	(5)	3,102	117	(2,360)	(4,261)	25	1,930	(14)	(2,320)
Net finance income/(expense) from reinsurance contracts	1,486	3	(30)	9	1,468	(1,283)	3	(59)	2	(1,337)
Foreign currencies adjustment to comprehensive income	24	1	9	1	35	(196)	2	23	2	(169)
Total amounts recognised in comprehensive income	(4,064)	(1)	3,081	127	(857)	(5,740)	30	1,894	(10)	(3,826)
Cash flows:										
Premiums paid net of ceding commissions and other directly attributable expenses	4,812	-	54	-	4,866	6,930	-	(10)	-	6,920
Recoveries from reinsurance	-	-	(2,097)	-	(2,097)	-	-	(2,009)	-	(2,009)
Total cash flows	4,812	-	(2,043)	-	2,769	6,930	-	(2,019)	-	4,911
Net closing balance	21,899	152	2,849	312	25,212	21,151	153	1,811	185	23,300
Closing liabilities	(358)	127	69	-	(162)	(30)	26	-	-	(4)
Closing assets	22,257	25	2,780	312	25,374	21,181	127	1,811	185	23,304
Net closing balance	21,899	152	2,849	312	25,212	21,151	153	1,811	185	23,300

Notes to Consolidated Financial Statements (continued)

8 Insurance and reinsurance contracts (Continued)

8.4 Analysis of reinsurance contract assets and liabilities for contracts measured under GMM/VFA (Continued)

8.4.1 Reconciliation of reinsurance contract assets and liabilities by components for contracts measured under GMM / VFA

	31 December 2023				31 December 2022				
	Estimates of the present value of future cash flows	Risk Adjustment for non-financial risk	Contractual Service Margin (CSM)	Total	Estimates of the present value of future cash flows	Risk Adjustment for non-financial risk	Contractual Service Margin (CSM)	Total	
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	
Opening liabilities	1,519	400	(1,923)	(4)	633	451	(200)	884	
Opening assets	14,973	1,223	7,108	23,304	14,281	1,204	5,847	21,332	
Net opening balance	16,492	1,623	5,185	23,300	14,914	1,655	5,647	22,216	
Changes in the statement of income:									
Changes that relate to current services:									
CSM recognized in statement of income for services transferred	-	-	(1,871)	(1,871)	-	-	(1,539)	(1,539)	
Changes in risk adjustment for non-financial risks	-	(217)	-	(217)	-	(163)	-	(163)	
Experience adjustments	(621)	(7)	-	(628)	(736)	(7)	-	(743)	
	(621)	(224)	(1,871)	(2,716)	(736)	(170)	(1,539)	(2,445)	
Changes that relate to future services:									
Changes in estimates that adjust the CSM	(1,150)	(54)	1,202	(2)	1,116	152	(1,282)	(14)	
Contracts initially recognized during the year	(2,146)	371	1,779	4	(1,471)	481	1,107	117	
CSM adjustment for income on initial recognition of onerous underlying contracts	-	-	3	3	-	-	-	-	
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	(33)	2	29	(2)	4	1	-	5	
Experience adjustments – arising from ceded premiums paid in the period that relate to future service	(160)	-	160	-	(374)	-	377	3	
	(3,489)	319	3,173	3	(725)	634	202	111	
Changes that relate to past services:									
Changes that relate to past service – changes in the FCF relating to incurred claims recovery	384	(31)	-	353	113	(99)	-	14	
	384	(31)	-	353	113	(99)	-	14	
Net expenses from reinsurance contracts held	(3,726)	64	1,302	(2,360)	(1,348)	365	(1,337)	(2,320)	
Effect of changes in the risk of reinsurers non-performance	-	-	1	1	1	-	-	1	
Net finance income/(expenses) from reinsurance contracts	873	76	519	1,468	(1,487)	(231)	381	(1,337)	
Foreign currencies adjustment to comprehensive income	(224)	(65)	323	34	(557)	(169)	555	(171)	
Total changes in the statement of income & comprehensive income	(3,077)	75	2,145	(857)	(3,391)	(35)	(401)	(3,827)	
Cash flows:									
Premiums paid net of ceding commissions and other directly attributable expenses paid	4,866	-	-	4,866	6,978	3	(61)	6,920	
Incurred claims recovered and other insurance service expenses recovered	(2,097)	-	-	(2,097)	(2,009)	-	-	(2,009)	
Total cash flows	2,769	-	-	2,769	4,969	3	(61)	4,911	
Net closing balance	16,184	1,698	7,330	25,212	16,492	1,623	5,185	23,300	
Closing liabilities	563	325	(1,050)	(162)	1,519	400	(1,923)	(4)	
Closing assets	15,621	1,373	8,380	25,374	14,973	1,223	7,108	23,304	
Net closing balance	16,184	1,698	7,330	25,212	16,492	1,623	5,185	23,300	

Notes to Consolidated Financial Statements (continued)
8 Insurance and reinsurance contracts (Continued)

8.5 Impact of contracts recognized in the year for contracts measured under GMM/VFA

Impact on insurance contract liabilities	31 December 2023			31 December 2022		
	Contracts written by the Group			Contracts written by the Group		
	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'
Estimates of the present value of future cash outflows						
• claims incurred and directly attributable non-acquisition expenses	15,563	522	16,085	14,086	1,938	16,024
• insurance acquisition costs	3,629	5	3,634	5,300	33	5,333
	19,192	527	19,719	19,386	1,971	21,357
Estimates of the present value of future cash inflows	(26,121)	(153)	(26,274)	(26,447)	(1,943)	(28,390)
Risk adjustment for non-financial risk	938	-	938	1,046	-	1,046
CSM	4,254	-	4,254	4,415	-	4,415
Increase in insurance contract liabilities from contracts recognized in the year	(1,737)	374	(1,363)	(1,600)	28	(1,572)

Impact on reinsurance (RI) contract assets	31 December 2023			31 December 2022		
	Contracts written by the Group			Contracts written by the Group		
	Non-onerous contracts originated	Onerous contracts originated	Total	Non-onerous contracts originated	Onerous contracts originated	Total
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'
Estimates of the present value of future cash inflows	-	(6,840)	(6,840)	-	(8,034)	(8,034)
Estimates of the present value of future cash outflows	-	8,945	8,945	-	10,507	10,507
Risk adjustment for non-financial risk	-	(367)	(367)	-	(472)	(472)
CSM	-	(2,211)	(2,211)	-	(2,570)	(2,570)
Increase in reinsurance contract liabilities from contracts recognized in the year	-	(473)	(473)	-	(569)	(569)

8.6 CSM recognition in profit or loss

The disclosure of when the CSM is expected to be in profit or loss in future years is presented below:

	2023					Total
	Up to 1 year	1-2 years	2-3 years	3-4 years	>4 years	
	KD 000'	KD 000'	KD 000'	KD 000'	KD 000'	
Insurance contract issued	4,080	3,651	3,092	2,742	18,529	32,094
Reinsurance contract held	(1,140)	(939)	(647)	(517)	(4,087)	(7,330)
	2022					Total
Up to 1 year	1-2 years	2-3 years	3-4 years	>4 years		
KD 000'	KD 000'	KD 000'	KD 000'	KD 000'		
Insurance contract issued	3,589	2,953	2,527	2,045	10,274	21,388
Reinsurance contract held	(799)	(619)	(535)	(360)	(2,872)	(5,185)

9 Financial instruments

9.1 Debt instruments at amortised cost

	2023	2022
	KD 000's	KD 000's
Debt instruments at amortised cost (IFRS 9):		
Quoted	1,984	-
Unquoted	74,911	-
	76,895	-
Investments held to maturity (IAS 39):		
Quoted	-	16,448
Unquoted	-	46,687
	-	63,135

9.2 Investments at fair value through profit or loss

	2023	2022
	KD 000's	KD 000's
Quoted securities	28,820	16,543
Unquoted securities	980	3,258
Managed funds of quoted securities	39,740	27,497
Managed funds of unquoted securities	8,111	747
Quoted bonds	7,479	5,413
Unquoted bonds	4,299	-
	89,429	53,458

9.3 Investments at fair value through other comprehensive income

	2023	2022
	KD 000's	KD 000's
Investment at fair value through OCI (IFRS 9)		
Quoted equity securities	15,528	-
Unquoted equity securities	8,556	-
Quoted managed funds	187	-
Unquoted managed funds	30	-
Quoted bonds	308,508	-
	332,809	-
Available for sale (IAS 39)		
Quoted equity securities	-	21,044
Unquoted equity securities	-	8,255
Quoted managed funds	-	3,920
Quoted bonds	-	237,874
Unquoted managed funds	-	49
	-	271,142

The fair value hierarchy and basis of valuation is disclosed in Note 25.

Notes to Consolidated Financial Statements (continued)

10 Investment in associates

The Group has the following significant investment in associates:

	Country of incorporation	Percentage of ownership		Principal Activity
		2023	2022	
Al-Buruj Co-Operative Insurance Company (A Saudi Public Stock Company) ("Al-Buruj") ¹	Kingdom of Saudi Arabia	28.5%	28.5%	Insurance
Al-Argan International Real Estate Company K.S.C.P. (Al-Argan)	Kuwait	20%	20%	Real Estate
Alliance Insurance Company P.S.C. ("Alliance")	United Arab Emirates	20%	20%	Insurance
United Networks Company K.S.C. (Closed) ¹	Kuwait	17%	17%	Communication & Broadcasting
Others	Middle East			Insurance & Third party administration - Claims

The movement of the investment in associates during the year is as follows:

	2023	2022
	KD 000's	KD 000's
Carrying value at 1 January	43,717	44,987
Share from IFRS 9 transition impact	391	-
Additions	1,765	-
Dividends received	(2,154)	(2,182)
Share of results of associates (Note 3)	2,318	2,389
Share of other comprehensive income (loss) of associates	101	(873)
Share of other reserve	84	-
Foreign currency translation adjustments	(568)	(604)
Impairment loss ²	(10,824)	-
Transferred to assets held for sale ¹	(10,533)	-
Carrying value at 31 December	24,297	43,717

The associates contingent liabilities and capital commitments as at 31 December is as follows:

	2023	2022
	KD 000's	KD 000's
Contingent liabilities	7,045	7,873
	7,045	7,873

¹ On 13 November 2023, the Board of Directors of the Parent Company approved to sell the entire stake in Al-Buruj and United Networks Company K.S.C. (Closed). The sale of these associates are expected to be completed within a year from the reporting date. At 31 December 2023, these associates have been classified as disposal group held for sale (Note 28).

² In respect of Group's investment in certain associates, the management considered performance outlook and business operations of the cash-generating units (CGUs) to assess whether the recoverable amount of a CGU covers its carrying amount. Based on the estimated cash flows, discounted back to their present value using a discount rate that reflects the risk profile and market comparable approach, the management concluded that the carrying value exceeds the recoverable amount by KD 10,824 for certain CGUs. Accordingly, an impairment loss has been recognised in the statement of income as part of net investment income.

Summarised financial information of material associates of the Group is as follows:

	Al-Argan	Alliance	Others	2023	2022
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Share of associates' financial position:					
Assets	40,884	21,675	36,543	99,102	128,825
Liabilities	33,908	12,708	30,149	76,765	88,063
Share of the associates' net assets	6,976	8,967	6,394	22,337	40,762
Goodwill	-	1,784	176	1,960	2,955
Carrying value	6,976	10,751	6,570	24,297	43,717
Share of associates' revenues and net profit:					
Revenues	544	3,765	6,294	10,603	14,863
Net profit	(774)	488	2,604	2,318	2,389

11 Intangible assets

	Distribution Networks	Customer Relationships	Licenses and others	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Cost:				
As at 1 January 2023	39,223	5,198	17,662	62,083
Additions	-	-	7,011	7,011
Disposals	-	-	(100)	(100)
Impairment	-	-	(173)	(173)
Exchange differences	188	29	90	307
As at 31 December 2023	39,411	5,227	24,490	69,128
Accumulated depreciation:				
As at 1 January 2023	4,357	1,387	10,459	16,203
Charge for the year	3,284	1,045	2,178	6,507
Related to disposals	-	-	(1)	(1)
Exchange differences	21	8	47	76
As at 31 December 2023	7,662	2,440	12,683	22,785
Net carrying amount:				
As at 31 December 2023	31,749	2,787	11,807	46,343
As at 1 January 2022	39,727	5,265	14,331	59,323
Additions	-	-	3,284	3,284
Disposals	-	-	(125)	(125)
Exchange differences	(504)	(67)	172	(399)
As at 31 December 2022	39,223	5,198	17,662	62,083
Accumulated depreciation:				
As at 1 January 2022	1,090	347	9,852	11,289
Charge for the year	3,265	1,039	589	4,893
Disposals	-	-	(96)	(96)
Exchange differences	2	1	114	117
As at 31 December 2022	4,357	1,387	10,459	16,203
Net carrying amount:				
As at 31 December 2022	34,866	3,811	7,203	45,880

Notes to Consolidated Financial Statements (continued)

12 Goodwill

Goodwill has been allocated to individual cash-generating units. The carrying amount of goodwill allocated to each of the cash-generating units is shown below:

	2023	2022
	KD 000's	KD 000's
GIG Egypt "Arab Misr Insurance Group Company S.A.E."	308	308
GIG Bahrain "Bahrain Kuwaiti Insurance Company B.S.C."	2,626	2,626
GIG Jordan "Arab Orient Insurance Company J.S.C."	5,292	5,292
GIG Iraq "Dar Al-Salam Insurance Company "	604	604
GIG Egypt Takaful "Egypt Life Takaful Insurance Company S.A.E."	168	168
GIG Saudi Company	22,148	22,062
GIG Turkey "Gulf Sigorta A.S."	2,173	2,173
	33,319	33,233

Movement on goodwill during the year is as follows:

	2023	2022
	KD 000's	KD 000's
As at 1 January	33,233	32,706
Foreign currency translation adjustments	86	527
As at 31 December	33,319	33,233

The Group performed its annual impairment test in accordance with its accounting policy and performed a sensitivity analysis of the underlying assumptions used in the value-in-use calculations. The recoverable amounts of cash-generating units were higher than the carrying amounts. Consequently, no impairment was considered necessary as at the end of the reporting period.

For the purpose of impairment testing of both the goodwill and related intangible assets cost of equity ranging between 13.2% to 26.1% and a terminal growth rate ranging between 3% to 8% was used.

13 Long Term Loans

The Parent Company has obtained two bank loans (unsecured) from local banks to be payable as follows:

- First loan is payable on annual instalment basis for a period of seven years beginning on 14 January 2023 and carry interest rate of 3 months SOFAR +1.25% per annum and the last instalment is due on 14 January 2030.
- On 21 August 2022, the Parent Company has agreed with the local financial institution to change the terms and interest rate of this facility as follows:
 - Changing interest rate to be 1.25% per annum over Central Bank of Kuwait discount rate.
 - Changing the loan tenure to be on annual instalment basis beginning on 26 December 2023 with last instalment to be due on 26 December 2027.
- Second loan is payable on quarterly instalment basis for a period of five years beginning on 31 March 2024 and carries an interest rate of 1.25% per annum over Central Bank of Kuwait discount rate and the last instalment is due on 30 September 2027.

14 Other Liabilities

	2023	2022
	KD	KD
Accrued expenses	14,376	14,427
KFAS	222	353
NLST and Zakat payables	881	1,744
Taxation from subsidiaries	10,406	9,028
Deferred Tax Liabilities	1,618	573
Lease liabilities	5,034	4,427
Provision for end of service benefits	17,087	15,509
Others	81,552	107,387
	131,176	153,448

15 Equity, Dividends and Reserves**a) Share capital**

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2022: 350,000,000) of 100 fils each. The issued and fully paid-up share capital consists of 284,572,463 shares (31 December 2022: 284,572,463) of 100 fils each.

b) Share premium

The share premium account is not available for distribution.

c) Cash dividends and directors' remuneration

At the Board of Directors meeting held on 29 February 2024, the directors of the Parent Company deferred the decision relating to dividends to the next meeting.

d) Treasury shares

	2023	2022
Number of shares (share)	821,396	821,396
Percentage of issued shares (%)	0.29%	0.29%
Cost (KD 000's)	429	429
Market value (KD 000's)	1,544	834

Reserves equivalent to the cost of the treasury shares held are not available for distribution.

e) Statutory reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and Board of Directors' remuneration shall be transferred to the statutory reserve based on the recommendation of the Parent Company's Board of Directors. The annual General Assembly of the Parent Company may resolve to discontinue such transfer when the reserve reaches 50% of the issued share capital. The reserve may only be used to offset losses or enable the payment of a dividend up to 5% of paid-up share capital in years when profit is not sufficient for the payment of such

Dividends for 2022

The Ordinary Annual General Assembly meeting of the Parent Company's shareholders held on 15 May 2023, approved the Board of Director's proposal for distributing cash dividends to the shareholders of 54 fils (2022: 35 fils) per share with total amount of KD 15,323 thousand (2022: KD 9,931 thousand).

Directors' remuneration

Directors' remuneration of KD 185 thousand for the year ended 31 December 2023 is subject to approval by the Ordinary Annual General Assembly of the Parent Company's shareholders. Directors' remuneration of KD 185 thousand for the year ended 31 December 2022 was approved by the Ordinary Annual General Assembly of the Parent Company's shareholders held on 6 April 2023.

dividend due to absence of distributable reserves. Any amounts deducted from the reserve shall be refunded when the profits in the following years suffice, unless such reserve exceeds 50% of the issued share capital.

f) Voluntary reserve

In accordance with the Companies' Law, and the Parent Company's Memorandum of Incorporation and Articles of Association, a minimum of 10% of the profit for the year attributable to the equity holders of the Parent Company before KFAS, NLST, Zakat and Board of Directors' remuneration shall be transferred to the voluntary reserve. Such annual transfers may be discontinued by a resolution of the shareholders' General Assembly upon a recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve.

Notes to Consolidated Financial Statements (continued)

16 Subordinated perpetual Tier 2 bonds

On 10 November 2022, the Parent Company issued perpetual subordinated Tier 2 fixed and floating rate bonds composed of KD 30 million at a fixed interest rate of 4.5% and KD 30 million at floating interest rate of 2.75% above Central Bank of Kuwait discount rate (the "Tier 2 bonds").

The Fixed Rate Tier 2 bonds will bear interest from the Issue Date to the First Reset Date at a fixed rate of 4.5% per annum payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2022. Interest is treated as a deduction from equity.

The Tier 2 bonds constitute direct, unconditional, subordinated obligations of the Parent Company and are classified as equity in accordance with IAS 32: Financial Instruments - Classification. The Tier 2 bonds do not have a maturity date. They are redeemable by the Parent Company after 5 years.

The Floating rate Tier 2 bonds will bear interest at a rate of 2.75% over the CBK Discount Rate per annum provided however that such sum shall never exceed the prevailing Interest Rate attributable to the Fixed Rate Tranche Bonds at that time plus 1%, payable semi-annually in arrears on 10 May and 10 November in each year, commencing on 10 May 2022. Interest is treated as a deduction from equity.

17 Business combination

Acquisition of AIG EGYPT

On 24 May 2023, the Parent Company has entered into a sale and purchase agreement to acquire 95.3% equity interest of AIG Egypt Insurance Company S.A.E. (AIG) for a total consideration of EGP 188,679 thousand (equivalent to KD 1,877 thousand).

The acquisition date has been determined to be 30 June 2023, when the Parent Company has evidenced its control over AIG.

The consideration paid and provisional values of identifiable assets and liabilities assumed were initially determined as stated in the below table:

	Provisional values KD 000's
Assets	
Cash and bank balances	1,311
Time deposits	3,401
Debt instruments at amortised cost	5,330
Property and equipment	27
Other assets	707
	10,776
Liabilities	
Other liabilities	3,937
	3,937
Net assets Value	6,839
Acquired ownership	95.33%
Net assets acquired	6,519
Purchase consideration transferred	(1,877)
Gain on Bargain Purchase	4,642
Cash flow on acquisition	
Cash paid	1,877
Less: net cash acquired in subsidiary acquired	1,311
Net cash outflow	566

The allocation of the purchase price may be modified within a period of twelve months from the date of business combination, as more information is obtained about the fair value of assets acquired and liabilities assumed, including alignment in business model, if needed.

18 Segment information

The Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. Following are the details of those two primary segments:

- The general risk insurance segment offers general insurance to individuals and businesses. General insurance products offered include marine and aviation, motor vehicles, property, engineering and general accidents. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of policyholder's accident.
- The life and medical insurance segment offer savings, protection products and other long-term contracts. It comprises a wide range of whole life insurance, term insurance, unitized pensions (Misk individual policies), pure endowment pensions, Group life and disability, credit life (banks), Group medical including third party

administration (TPA), preferred global health and FAY products. Revenue from this segment is derived primarily from insurance premium, fees, commission income, investment income and fair value gains and losses on investments.

Unallocated category comprises of assets and liabilities relating to the Group's investing activities which do not fall under the Group's primary segments.

Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment result and is measured consistently with the results in the consolidated financial statements.

a) Segmental consolidated statement of income

31 December 2023:	General risk insurance						Life and medical insurance			Total
	Marine and aviation	Motor vehicles	Property	Engineering	General Insurance	Liability	Life	Medical	Unallocated	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Insurance service result before reinsurance contracts held	2,378	19,630	32,743	20,996	10,809	15,943	11,981	12,621	-	127,101
Net expense from reinsurance contracts held	394	(2,001)	(28,087)	(17,945)	(16,756)	(2,115)	(6,505)	(4,333)	-	(77,348)
Net insurance and reinsurance finance (expense) income	(517)	(4,571)	(220)	789	601	(1,330)	(4,159)	(1,076)	-	(10,483)
Net insurance financial result	2,255	13,058	4,436	3,840	(5,346)	12,498	1,317	7,212	-	39,270
Net investment income	-	-	-	-	-	-	-	-	48,444	48,444
Non-attributable general and administrative expenses	-	-	-	-	-	-	-	-	(27,264)	(27,264)
Other income (expenses) net	-	-	-	-	-	-	-	-	2,116	2,116
Monetary loss from hyperinflation	-	-	-	-	-	-	-	-	(1,244)	(1,244)
Finance costs	-	-	-	-	-	-	-	-	(7,288)	(7,288)
Impairment of investment in associates	-	-	-	-	-	-	-	-	(10,824)	(10,824)
Gain on bargain purchase from acquisition of a subsidiary	-	-	-	-	-	-	-	-	4,642	4,642
Loss from discontinued operations	-	-	-	-	-	-	-	-	(8,872)	(8,872)
Profit before taxation and after discontinued operations	2,255	13,058	4,436	3,840	(5,346)	12,498	1,317	7,212	(290)	38,980

Notes to Consolidated Financial Statements (continued)

18 Segment information (Continued)

a) Segmental consolidated statement of income (Continued)

31 December 2022:	General risk insurance						Life and medical insurance			Total
	Marine and aviation	Motor vehicles	Property	Engineering	General Insurance	Liability	Life	Medical	Unallocated	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	
Insurance service result before reinsurance contracts held	10,780	(164)	64,676	55,220	7,627	16,593	2,029	18,430	-	175,191
Net expense from reinsurance contracts held	(5,885)	(2,824)	(54,296)	(49,389)	(5,677)	(11,406)	(5,139)	2,212	-	(132,404)
Net insurance and reinsurance finance (expense) income	26	445	(21)	204	472	(738)	(2,522)	72	-	(2,062)
Net insurance financial result	4,921	(2,543)	10,359	6,035	2,422	4,449	(5,632)	20,714	-	40,725
Net investment income	-	-	-	-	-	-	-	-	30,570	30,570
Non-attributable general and administrative expenses	-	-	-	-	-	-	-	-	(21,078)	(21,078)
Other income (expenses) net	-	-	-	-	-	-	-	-	1,436	1,436
Monetary loss from hyperinflation	-	-	-	-	-	-	-	-	(3,957)	(3,957)
Finance costs	-	-	-	-	-	-	-	-	(3,628)	(3,628)
Profit before taxation and after discontinued operations	4,921	(2,543)	10,359	6,035	2,422	4,449	(5,632)	20,714	3,343	44,068

b) Segment consolidated statement of financial position

31 December 2023	Non-life Insurance		Life Insurance	Un-allocated	Total
	KD 000's		KD 000's	KD 000's	KD 000's
Total assets	223,290		25,946	926,180	1,175,416
Total liabilities	526,243		87,657	187,373	801,273

31 December 2022	Non-life Insurance		Life Insurance	Un-allocated	Total
	KD 000's		KD 000's	KD 000's	KD 000's
Total assets	208,062		23,418	911,869	1,143,349
Total liabilities	492,146		75,709	211,525	779,380

Balances relating to investments activities are reported within unallocated category since these activities does not relate to any of the primary two segments.

c) Geographic information

	Kuwait		GCC Countries		Other ME Countries		Total	
	2023	2022	2023	2022	2023	2022	2022	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	
Insurance service result	10,514	28,311	22,166	11,884	6,590	530	39,270	40,725
Profit for the period	(12,613)	12,739	24,937	18,062	17,205	6,049	29,529	36,850
Profit for the year attributable to equity holders of the Parent Company	(12,691)	12,734	18,513	15,742	15,384	4,900	21,206	33,376

	Kuwait		GCC Countries		Other ME Countries		Total	
	2023	2022	2023	2022	2023	2022	2022	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	
Total assets	289,607	321,944	664,433	609,507	221,376	211,898	1,175,416	1,143,349
Total liabilities	260,050	290,208	398,316	359,655	142,907	129,517	801,273	779,380

19 Statutory Guarantees

The following amounts are held in Kuwait as security based on the order of the Minister of Commerce and Industry in accordance with the Ministerial Decree No. 27 of 1966 and its amendments:

	2023	2022
	KD 000's	KD 000's
Current accounts and deposits at banks	14,362	13,052
	14,362	13,052

Statutory guarantees of KD 81,067 thousand (2022: KD 76,768 thousand) are held outside the State of Kuwait as security for the subsidiary companies' activities in accordance with regulatory requirements of the countries in which subsidiaries are located.

20 Contingent liabilities

At the reporting date, the Group is contingently liable in respect of letters of guarantee and other guarantees amounting to KD 106,115 thousand (2022: KD 102,048 thousand).

The Group operates in the insurance industry and is subject to legal proceedings in the normal course of business. While it is not practicable to forecast or determine the final results of all pending or threatened legal proceedings, management does not believe that such proceedings (including litigation) will have a material effect on its results and financial position.

21 Commitments

The Group does not have future commitments with respect to purchase of financial instruments (2022: Nil).

Notes to Consolidated Financial Statements (continued)

22 Risk management

(a) Governance framework

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

The Group established a risk management function with clear terms of reference from the Parent Company's Board of Directors, its committees and the associated Executive Management committees. The risk management function will support the Parent Company as well as the subsidiaries in all risk management practices. This supplemented with a clear organisational structure that document delegated authorities and responsibilities from the Board of Directors to executive and senior managers.

(b) Regulatory framework

Law No. 125 of 2019, and its Executive bylaw, and the rules, Decisions, Circulars and regulations issued by the Insurance Regulatory Unit (IRU) provide the regulatory framework for the insurance industry in Kuwait will be effective, which state that all insurance companies operating in Kuwait are required to follow these rules and regulations.

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

- For the Life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Non-life Insurance Companies KD 500,000 FD under the ministerial name to be retained in Kuwait.
- For the Life and Non-life Insurance Companies KD 1,000,000 FD under the ministerial name to be retained in Kuwait.
- In addition, all insurance companies to maintain a provision of 20% from the gross premiums written after excluding the reinsurance share.

The Group's Governance, Risk Management and Compliance (G.R.C.) sector is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the board of directors to ensure compliance.

The Group's internal audit and quality control department is responsible for monitoring compliance with the above regulations and has delegated authorities and responsibilities from the Board of Directors to ensure compliance.

(c) Capital management objectives, policies and approach

The Group has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

Capital management objectives

The capital management objectives are:

- To maintain the required level of financial stability of the Group thereby providing a degree of security to policyholders.
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders.
- To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.
- To align the profile of assets and liabilities taking account of risks inherent in the business.
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and shareholders.
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.
- To allocate capital towards the regional expansion where the ultimate goal is to spread the risk and maximize the shareholders returns through obtaining the best return on capital.

The operations of the Group are also subject to regulatory requirements within the jurisdictions where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g., capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

In reporting financial strength, capital and solvency is measured using the rules prescribed by the Insurance Regulatory Unit (IRU). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written.

Capital management policies

The Group's capital management policy for its insurance and non-insurance business is to hold sufficient capital to cover the statutory requirements based on the Insurance Regulatory Unit, including any additional amounts required by the regulator as well as keeping a capital buffer above the minimum regulatory requirements, where the Group operates to maintain a high economic capital for the unforeseen risks.

Capital management approach

The Group seeks to optimize the structure and sources of capital to ensure that it consistently maximises returns to the shareholders and secure the policyholder's fund.

The Group's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels (by each regulated entity) on a regular basis and taking appropriate actions to influence the capital position of the Group in the light of changes in economic conditions and risk characteristics through the Group's internal Capital Model. An important aspect of the Group's overall capital management process is the setting of target risk adjusted rates of return which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

The capital requirements are routinely forecasted on a periodic basis using the Group's internal Capital Model and assessed against both the forecasted available capital and the expected internal rate of return including risk and sensitivity analyses. The process is ultimately subject to approval by the Board.

(d) Insurance risk

Insurance risk is the risk arising from the uncertainty around the actual experience and/or policyholder behaviour being materially different than expected at the inception of an insurance contract. These uncertainties include the amount and timing of cash flows from premiums, commissions, expenses, claims and claim settlement expenses paid or received under a contract.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than the estimate. Insurance events are random and the actual number and amount of claims and benefits will vary from year-to-year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Frequency and severity of claims

The Group manages risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, line of business and geography. Underwriting limits are in place to enforce appropriate risk selection criteria.

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one line of business.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses more than the limit defined in the Risk appetite statement in any one event. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are frequently reviewed individually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, certain claims are settled over a long period of time and element of the claims provision include incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities and changing situation during the claim evaluation. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The amount of insurance claims is in certain cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected considering the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and claims inflation.

Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Group's claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group has reviewed the individual contracts and in particular, the line of business in which the insured companies

Notes to Consolidated Financial Statements (continued)

22 Risk management (Continued)

(d) Insurance risk (Continued)

Process used to decide on assumptions (Continued)

operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Group uses several statistical methods and actuarial techniques to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The three methods more commonly used are the Chain Ladder, Expected Loss Ratio and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business or involves significant deal of changes in terms of process.

Expected Loss Ratio method (ELR) is used to determine the projected amount of claims, relative to earned premiums. ELR method is used for line of businesses that lack past data, while the chain ladder method is used for stable businesses. In certain instances, such as new lines of business, the ELR method may be the only possible way to figure out the appropriate level of loss reserves required.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight

to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business.

The Group uses standard actuarial techniques to estimate its loss provisions as mentioned above. Actuarial techniques and/or methodologies used to estimate the loss provisions could vary based on the specific nature of the lines of business. The general excluding motor and Group life business typically have a lower frequency and higher severity of claims while the medical and motor business are more attritional in nature i.e., higher frequency and lower severity. For the attritional lines, any inconsistencies in the claims processes could impact the loss development experience assumed in the technical provisions calculation and hence is one of the key assumptions in the estimation of the technical provisions. For the less attritional lines, typically the loss-ratio assumptions under the Bornhuetter-Ferguson technique is a key assumption in the estimation of the technical provisions. The Group monitors closely and validates the key assumptions in the estimation of the technical provisions on a periodic basis.

Claims development table

The following tables show the estimates of cumulative incurred claims, including claims notified for each successive accident year at each reporting date, together with cumulative payments to date. The Group has not disclosed previously unpublished information about claims development that occurred earlier than ten years before the end of the annual reporting period in which it first applies IFRS 17. The cumulative claims estimates and cumulative payments are translated to the presentation currency at the spot rates of the current financial year.

Gross undiscounted liabilities for incurred claims

	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
At end of accident year	307,067	58,026	102,040	265,971	429,749	465,651	515,542	507,547	615,339	637,756	540,005	
One year later	148,012	79,197	139,203	335,090	501,277	690,817	544,361	513,591	636,649	636,061	-	
Two years later	156,559	84,099	145,558	338,118	502,490	722,970	548,166	523,095	633,346	-	-	
Three years later	165,496	88,624	146,879	337,707	504,184	650,240	547,441	523,720	-	-	-	
Four years later	181,917	86,757	141,922	337,718	503,349	606,870	550,952	-	-	-	-	
Five years later	183,502	86,795	139,719	337,086	503,492	602,315	-	-	-	-	-	
Six years later	184,464	87,301	139,034	337,164	503,514	-	-	-	-	-	-	

	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Seven years later	182,536	87,662	140,959	339,261	-	-	-	-	-	-	-	
Eight years later	184,105	87,995	139,929	-	-	-	-	-	-	-	-	
Nine years later	183,337	87,899	-	-	-	-	-	-	-	-	-	
Ten years later	182,131	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	182,131	87,899	139,929	339,261	503,514	602,315	550,952	523,720	633,346	636,061	540,005	4,739,133
At end of accident year	(260,797)	(37,713)	(54,987)	(218,649)	(349,641)	(351,467)	(388,053)	(366,770)	(467,985)	(466,665)	(401,240)	
One year later	(144,326)	(69,756)	(117,250)	(312,073)	(473,026)	(500,228)	(511,978)	(489,443)	(608,444)	(590,390)	-	
Two years later	(150,603)	(78,083)	(125,689)	(323,018)	(487,500)	(533,124)	(527,546)	(504,733)	(619,967)	-	-	
Three years later	(157,754)	(80,030)	(130,377)	(329,415)	(492,631)	(549,649)	(535,079)	(510,008)	-	-	-	
Four years later	(161,621)	(81,555)	(131,749)	(331,315)	(495,959)	(590,634)	(540,361)	-	-	-	-	
Five years later	(167,369)	(82,620)	(133,012)	(332,447)	(498,431)	(591,943)	-	-	-	-	-	
Six years later	(169,778)	(83,338)	(133,769)	(333,369)	(498,953)	-	-	-	-	-	-	
Seven years later	(169,399)	(84,531)	(134,263)	(334,132)	-	-	-	-	-	-	-	
Eight years later	(170,624)	(84,931)	(135,361)	-	-	-	-	-	-	-	-	
Nine years later	(171,037)	(85,058)	-	-	-	-	-	-	-	-	-	
Ten years later	(171,233)	-	-	-	-	-	-	-	-	-	-	
Cumulative payment to date	(171,233)	(85,058)	(135,361)	(334,132)	(498,953)	(591,943)	(540,361)	(510,008)	(619,967)	(590,390)	(401,240)	(4,478,646)
Gross insurance contracts outstanding claims	10,898	2,841	4,568	5,129	4,560	10,372	10,591	13,712	13,379	45,671	138,761	260,482
IBNR	-	-	-	-	-	-	-	-	-	-	108,614	108,614
Effect of risk adjustment for non-financial risk	-	-	-	-	-	-	-	-	-	-	40,426	40,426
Others ¹	-	-	-	-	-	-	-	-	-	-	68,516	68,516
Effect of discounting	-	-	-	-	-	-	-	-	-	-	(23,110)	(23,110)
Total gross liabilities for incurred claims	10,898	2,841	4,568	5,129	4,560	10,372	10,591	13,712	13,379	45,671	333,207	454,928

¹ Others includes insurance claims payable, inflation adjustment and other payables.

Notes to Consolidated Financial Statements (continued)

22 Risk management (Continued)

(d) Insurance risk (Continued)

Claims development table (Continued)

Undiscounted liabilities for incurred claims net of reinsurance

	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
At end of accident year	255,085	45,115	84,656	192,202	218,277	219,922	262,611	253,479	302,823	299,577	310,340	2,555,913
One year later	123,736	61,907	109,508	228,171	249,088	250,674	281,079	261,927	313,967	313,054	-	
Two years later	119,597	66,338	114,968	232,290	250,754	252,308	283,901	266,293	313,980	-	-	
Three years later	130,371	69,933	115,510	232,476	251,189	254,600	284,477	266,882	-	-	-	
Four years later	137,287	70,167	114,943	232,614	250,551	254,669	287,931	-	-	-	-	
Five years later	142,178	70,272	114,135	232,260	251,597	254,538	-	-	-	-	-	
Six years later	141,339	70,596	113,826	232,405	251,434	-	-	-	-	-	-	
Seven years later	139,714	70,471	114,804	232,127	-	-	-	-	-	-	-	
Eight years later	141,123	70,769	114,573	-	-	-	-	-	-	-	-	
Nine years later	140,803	70,692	-	-	-	-	-	-	-	-	-	
Ten years later	140,362	-	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred	140,362	70,692	114,573	232,127	251,434	254,538	287,931	266,882	313,980	313,054	310,340	2,555,913
At end of accident year	(228,991)	(35,929)	(52,934)	(160,584)	(182,794)	(179,445)	(205,187)	(192,274)	(237,224)	(226,261)	(235,606)	
One year later	(121,591)	(59,634)	(100,651)	(217,440)	(237,200)	(238,955)	(266,286)	(248,122)	(300,749)	(296,683)	-	
Two years later	(124,743)	(64,695)	(105,825)	(224,371)	(242,801)	(245,092)	(274,482)	(257,336)	(306,536)	-	-	
Three years later	(127,531)	(66,241)	(108,823)	(227,431)	(245,341)	(248,667)	(279,007)	(261,160)	-	-	-	
Four years later	(129,425)	(67,340)	(110,294)	(228,889)	(247,511)	(252,743)	(283,075)	-	-	-	-	
Five years later	(135,555)	(67,972)	(111,136)	(229,606)	(249,475)	(253,372)	-	-	-	-	-	
Six years later	(135,844)	(68,257)	(111,686)	(230,366)	(249,571)	-	-	-	-	-	-	
Seven years later	(135,127)	(68,500)	(112,130)	(230,469)	-	-	-	-	-	-	-	
Eight years later	(136,838)	(68,801)	(112,198)	-	-	-	-	-	-	-	-	
Nine years later	(136,983)	(68,843)	-	-	-	-	-	-	-	-	-	
Ten years later	(136,988)	-	-	-	-	-	-	-	-	-	-	
Cumulative payment to date	(136,988)	(68,843)	(112,198)	(230,469)	(249,571)	(253,372)	(283,075)	(261,160)	(306,536)	(296,683)	(235,606)	(2,434,501)

	Before 2014	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Net insurance contracts outstanding claims	3,373	1,849	2,375	1,658	1,862	1,166	4,856	5,722	7,444	16,372	74,734	121,411
IBNR	-	-	-	-	-	-	-	-	-	-	82,612	82,612
Effect of risk adjustment for non-financial risk	-	-	-	-	-	-	-	-	-	-	22,315	22,315
Others ¹	-	-	-	-	-	-	-	-	-	-	(60,313)	(60,313)
Effect of discounting	-	-	-	-	-	-	-	-	-	-	(12,007)	(12,007)
Total net liabilities for incurred claims	3,373	1,849	2,375	1,658	1,862	1,166	4,856	5,722	7,444	16,372	107,341	154,018

Sensitivity analysis for contracts measured under PAA

The following table presents information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact LIC and profit or loss and equity before and

after risk mitigation by reinsurance contracts held. These contracts are measured under the PAA and, thus, only the LIC component of insurance liabilities is sensitive to possible changes in underwriting risk variables.

	2023		2022	
	LIC as at 31 December	Impact on LIC	LIC as at 31 December	Impact on LIC
	KD 000's	KD 000's	KD 000's	KD 000's
Insurance contract liabilities	449,707	-	427,752	-
Reinsurance contract assets	(297,749)	-	(296,324)	-
Net insurance contract liabilities	151,958	-	131,428	-
Best estimate reserves – 5% increase				
Insurance contract liabilities	-	19,214	-	18,823
Reinsurance contract assets	-	(8,568)	-	(8,287)
Net insurance contract liabilities	-	10,646	-	10,536
Risk adjustment – 5% increase				
Insurance contract liabilities	-	1,910	-	2,176
Reinsurance contract assets	-	(856)	-	(911)
Net insurance contract liabilities	-	1,054	-	1,265
Yield curve 50bps				
Insurance contract liabilities	-	(1,341)	-	(1,276)
Reinsurance contract assets	-	641	-	638
Net insurance contract liabilities	-	(700)	-	(638)

Sensitivity analysis for contracts not measured under PAA

The following tables present information on how reasonably possible changes in assumptions made by the Group with regard to underwriting risk variables impact product line insurance liabilities and profit or loss

and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

¹ Others includes reinsurance claims receivable, reinsurance credit risk, inflation adjustment and other receivables.

Notes to Consolidated Financial Statements (continued)

22 Risk management (Continued)

(d) Insurance risk (Continued)

Sensitivity analysis for contracts not measured under PAA (Continued)

	Insurance contract liabilities	Reinsurance contract assets
Mortality increases by 10%	<p>VFA: the impact of mortality will not be significant, but it will slightly increase the FCF due to the unfavorable impact on cash outflows and in contrary, the CSM will be reduced.</p> <p>GMM: the impact will be quite significant for Term life portfolios where the increase in mortality will significantly increase the expected cash outflow which will increase the FCF and accordingly reduces the CSM.</p>	<p>VFA: the impact of mortality will not be significant, but it will slightly reduce due to the expectation to increase the cash outflow and in contrary, the CSM will be increasing more or less with the same amount of increase in the FCF.</p> <p>GMM: the impact will be quite significant for Term life portfolios where the increase in mortality will significantly increase the expected cash outflow which will increase the FCF and accordingly reduces the CSM.</p>
Lapse/Surrender increase in rates by 5%	<p>VFA: the increase in lapse rates will lead to higher cash outflows related to fulfilling insurance obligations and decrease the cash inflow related to future premiums and hence, the expected future profits margin will reduce. However, the impact on CSM shall depend on the ageing of the portfolio.</p> <p>GMM: similarly, the increase in lapse rates will lead to higher cash outflows related to fulfilling insurance obligations and decrease the cash inflow related to future premiums and hence, the expected future profit margin will reduce.</p>	<p>VFA: changes in lapse rates will indirectly impact reinsurance contract assets through their effect on the underlying insurance contracts. If higher lapse rates lead to increased cash outflows for fulfilling insurance obligations, this could indirectly affect the FCF associated with reinsurance contract assets through reducing the inforce business on the long-term so reducing the expected CSM and FCF.</p> <p>GMM: similarly, under GMM, changes in lapse rates would affect the fulfilment cash flow (FCF) associated with reinsurance contract assets, primarily driven by changes in the underlying insurance contracts. An increase in lapse rates could lead to higher cash outflows, impacting the FCF and CSM of reinsurance contracts.</p>
Expense loadings by 5%	<p>VFA: the increase in expenses will lead to higher administrative and operational costs associated with managing the insurance contracts, which will increase the fulfilment cashflow (FCF) and hence, the Contractual Service Margin (CSM) would decrease.</p> <p>GMM: under GMM, the increase in expense loadings will also lead to higher administrative and operational costs, which will increase the FCF and hence, a decrease in the CSM.</p>	N/A
Yield Curve rates increase by 50bps.	<p>VFA: the increase in the yield curve rates will lead to higher discounting factors applied to future cashflows associated with insurance liabilities. As a result, the present value of future cash outflows would decrease (more than the decrease in cash inflows) leading to a further reduction in the FCF and hence, a higher CSM.</p> <p>GMM: similarly, the increase in the yield curve rates will lead to higher discounting factors applied to future cashflows associated with insurance liabilities. As a result, the present value of future cash outflows would decrease (more than the decrease in cash inflows) leading to a further reduction in the FCF and hence, a higher CSM.</p>	<p>VFA: the impact of a yield curve increase on reinsurance contract assets would be indirect under VFA.</p> <p>GMM: similar to its impact on insurance contract liabilities, under GMM, a 50 basis points increase in the yield curve would lead to higher discount rates applied to future cash inflows from insurance contracts. This would increase the present value of future cash inflows, reducing the Fulfilment Cash Flow (FCF) associated with reinsurance contract assets, and decrease, the Contractual Service Margin (CSM).</p>

No changes were made by the Group in the methods and assumptions used in preparing the above analysis.

Concentration of insurance risk

The Group's underwriting business is mainly based within GCC and Europe countries.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

The geographical concentration of the Group's insurance contract liabilities is noted below. The disclosure is based on the countries where the business is written:

	Non Life	Life	Total	Non Life	Life	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
GCC Countries						
Insurance contract liabilities - net	394,886	69,774	464,660	367,689	67,231	434,920
Reinsurance contract assets - net	156,222	25,180	181,402	142,526	22,822	165,348
Non GCC countries						
Insurance contract liabilities - net	89,329	16,887	106,216	81,723	8,140	89,863
Reinsurance contract assets - net	24,779	35	24,814	22,529	529	23,068

(e) Financial risks

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

- A Group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Board Audit Committee (BAC).
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each

year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

- The credit risk in respect of customer balances, incurred on non-payment of premiums will only persist during the grace period specified in the policy document until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted-off against amounts receivable from them to reduce the risk of doubtful debts.

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position.

31 December 2023

Exposure to credit risk by classifying financial assets according to type of insurance	General	Life	Unit linked	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Cash in hand and at Banks	53,485	1,356	514	55,355
Short-term Deposits	96,357	13,297	825	110,479
Long-term Deposits	53,245	-	-	53,245
Debt Instruments at Amortized Cost	67,544	8,699	652	76,895
Quoted & Unquoted Bonds (classified FVTPL)	3,900	4,300	3,578	11,778
Quoted & Unquoted Bonds (classified FVTOCI)	280,876	27,632	-	308,508
Loans Secured by Insurance Policies	2	-	617	619
Total credit risk exposure	555,409	55,284	6,186	616,879

31 December 2022

Exposure to credit risk by classifying financial assets according to type of insurance	General	Life	Unit linked	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Cash in hand and at banks	72,722	2,522	105	75,349
Short-term deposits	135,162	16,380	857	152,399
Long-term deposits	51,561	9,546	-	61,107
Investments held to maturity	50,066	12,713	356	63,135
Quoted & unquoted bonds (classified FVTPL)	1,826	9	3,578	5,413
Quoted & unquoted bonds (classified available for sale)	214,576	23,298	-	237,874
Loans Secured by Insurance Policies	-	9	472	481
Total credit risk exposure	525,913	64,477	5,368	595,758

Notes to Consolidated Financial Statements (continued)

22 Risk management (Continued)

(e) Financial risks (Continued)

(1) Credit risk (Continued)

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2023 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as not rated.

	AAA	AA	A	BBB	BB and below	Not rated	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Exposure to credit risk by classifying financial assets according to international credit rating agencies							
31 December 2023							
Cash in hand and at Banks	44	47	28,375	3,180	21,631	2,078	55,355
Short-term Deposits	-	59	54,801	13,569	39,453	2,597	110,479
Long-term Deposits	1,957	-	32,223	3,093	13,358	2,614	53,245
Debt Instruments at Amortized Cost	-	3,529	11,753	8,536	41,692	11,385	76,895
Quoted & Unquoted Bonds (classified FVTPL)	-	-	2,618	4,596	4,564	-	11,778
Quoted & Unquoted Bonds (classified FVTOCI)	-	31,464	138,382	38,193	96,365	4,104	308,508
Loans Secured by Insurance Policies	-	-	-	-	-	619	619
Total credit risk exposure	2,001	35,099	268,152	71,167	217,064	23,399	616,882

Not rated are classified as follows using internal credit ratings.

	Neither past due nor impaired				Total
	High grade	Standard grade	Past due or impaired		
	KD 000's	KD 000's	KD 000's	KD 000's	
31 December 2023					
Cash in hand and at Banks	745	1,332	-	-	2,077
Short-term Deposits	1,761	837	-	-	2,598
Long-term Deposits	-	2,614	-	-	2,614
Debt Instruments at Amortized Cost	11,385	-	-	-	11,385
Quoted & Unquoted Bonds (classified FVTPL)	-	-	-	-	-
Quoted & Unquoted Bonds (classified available for sale)	2,123	1,904	79	-	4,106
Loans Secured by Insurance Policies	617	2	-	-	619
	16,631	6,689	79	79	23,399

The table below provides information regarding the credit risk exposure of the financial assets at 31 December 2022 by classifying assets according to International credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as not rated.

	AAA	AA	A	BBB	BB and below	Not rated	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Exposure to credit risk by classifying financial assets according to international credit rating agencies							
31 December 2022							
Cash in hand and at banks	-	17	49,989	12,666	8,337	4,340	75,349
Short-term deposits	-	9	81,896	21,899	44,502	4,093	152,399
Long-term deposits	-	-	15,062	23,925	17,103	5,017	61,107
Investments held to maturity	-	-	15,047	21,476	25,986	626	63,135
Quoted & unquoted bonds (classified FVTPL)	-	-	-	3,587	1,826	-	5,413
Quoted & unquoted bonds (classified available for sale)	-	16,134	91,037	40,112	86,630	3,961	237,874
Loans Secured by Insurance Policies	-	-	-	-	-	481	481
Total credit risk exposure	-	16,160	253,031	123,665	184,384	18,518	595,758

Not rated are classified as follows using internal credit ratings.

	Neither past due nor impaired			Total
	High grade	Standard grade	Past due or impaired	
	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2022				
Cash in hand and at banks	4,278	63	-	4,341
Short-term deposits	1,201	2,891	-	4,092
Long-term deposits	2,397	1,213	1,407	5,017
Investments held to maturity	305	321	-	626
Quoted & unquoted bonds (classified FVTPL)	-	-	-	-
Quoted & unquoted bonds (classified available for sale)	-	3,829	134	3,963
Loans Secured by Insurance Policies	472	4	5	481
	8,653	8,321	1,546	18,520

The following table represents the aging analysis of premiums and insurance balance receivable that are not past due nor impaired:

	Up to 1 month	Within 1-3 months	Within 3-12 months	More than 1 year	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2023:					
Insurance Contract Assets	4,892	84	1,850	144	6,970
Reinsurers Contract Assets	50,044	23,478	89,688	79,059	242,269
Total	54,936	23,562	91,538	79,203	249,239
31 December 2022:					
Insurance Contract Assets	537	127	7,268	11,199	19,131
Reinsurers Contract Assets	26,868	21,899	72,373	91,217	212,357
Total	27,405	22,026	79,641	102,416	231,488

(2) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Group has sufficient liquidity and, therefore, does not resort to borrowings in the normal course of business.

The table below summarises the maturity of the financial liabilities of the Group based on remaining undiscounted contractual obligations for 31 December. As the Group does not have any interest-bearing liabilities (except for long-term loans and bank overdraft), the figures below agree directly to the consolidated statement of financial position.

	Up to 1 month	Within 1-3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2023						
Insurance contract liabilities	43,699	100,525	258,134	129,988	45,500	577,846
Reinsurance contract liabilities	21,658	4,623	7,808	1,668	296	36,053
Bank Overdraft	-	3,082	-	-	-	3,082
Short-term loans	-	-	10,712	-	-	10,712
Long-term loans	-	-	-	42,404	-	42,404
Other liabilities	530	12,467	38,678	=52,902	26,599	131,176
	65,887	120,697	315,332	226,962	72,395	801,273



Notes to Consolidated Financial Statements (continued)

22 Risk management (Continued)

(e) Financial risks (Continued)

(2) Liquidity risk (Continued)

	Up to 1 month	Within 1-3 months	Within 3-12 months	Within 1-5 years	Over 5 years	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2022						
Insurance contract liabilities	117,991	30,467	257,904	107,402	30,150	543,914
Reinsurance contract liabilities	1,864	258	12,147	8,013	1,659	23,941
Long-term loans	-	-	-	39,596	18,481	58,077
Other liabilities	5,098	19,302	63,650	31,684	33,714	153,448
	124,953	50,027	333,701	186,695	84,004	779,380

(3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises three types of risk: currency risk, interest rate risk and equity rate price risk.

The Group has developed its policies and procedures to enhance the Group's mitigation of market risk.

(i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in KD and its exposure to foreign exchange risk arises primarily with respect to US dollar, Bahraini dinar, Saudi riyal, Egyptian pound, Jordanian dinar, Euro, and Pound sterling.

The Group's financial assets are primarily denominated in the same currencies as its insurance and investment contract liabilities, which mitigate the foreign currency exchange rate risk. Accordingly, the main foreign exchange risk arises from recognised assets and liabilities denominated in currencies other than those in which insurance and investment contract liabilities are expected to be settled. The currency risk is effectively managed by the Group through financial instruments as well as the Group's Asset Liability Management model.

The table below summarises the Group's exposure to foreign currency exchange rate risk at reporting date by categorising assets and liabilities by major currencies.

31 December 2023:	Local currency	USD	BD	EGP	JD	Euro	GBP	SAR	Other	Total
	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's
Assets										
Cash and bank balances	24,127	16,870	8,162	11,845	9,705	2,790	123	49,315	42,897	165,834
Time deposits	7,324	9,211	5,631	-	-	-	-	17,505	13,574	53,245
Other assets	20,255	2,246	5,722	3,200	4,464	-	53	6,819	2,748	45,507
Insurance contract assets	3,648	-	2,111	-	-	-	-	-	1,211	6,970
Reinsurance contract assets	112,298	11,202	27,638	9,593	2,673	5,364	-	28,654	44,847	242,269
Loans secured by life insurance policies	617	-	-	-	-	-	-	-	2	619
Debt instruments at amortised cost	8,400	6,026	-	25,854	24,992	546	-	-	11,077	76,895
Investments carried at fair value through profit or loss	11,106	26,120	2,201	22,045	4,344	-	393	6,714	16,506	89,429
Investments at fair value through other comprehensive income	4,961	217,255	19,072	198	2,459	-	-	54,880	33,984	332,809
Property and equipment	7,039	-	12,699	8,986	3,353	-	-	733	6,183	38,993
Investments in associates	9,196	-	320	2,180	-	-	-	133	12,468	24,297
Investment properties	-	615	4,801	1,947	71	-	-	-	920	8,354
Intangible assets	374	-	25,930	-	2,375	-	-	17,361	303	46,343

31 December 2023:	Local currency	USD	BD	EGP	JD	Euro	GBP	SAR	Other	Total
	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's
Goodwill	11,171	-	22,148	-	-	-	-	-	-	33,319
Disposal group held for sale	10,533	-	-	-	-	-	-	-	-	10,533
	231,049	289,545	136,435	85,848	54,436	8,700	569	182,114	186,720	1,175,416
Liabilities										
Insurance contract liabilities	126,741	21,092	79,824	37,511	28,029	10,224	-	134,068	140,357	577,846
Reinsurance contract liabilities	8,901	-	11,949	4,784	155	-	-	27	10,237	36,053
Bank Overdraft	3,082	-	-	-	-	-	-	-	-	3,082
Term loans	53,116	-	-	-	-	-	-	-	-	53,116
Other liabilities	53,991	23,500	9,257	15,961	2,660	99	2	20,636	5,070	131,176
Total liabilities	245,831	44,592	101,030	58,256	30,844	10,323	2	154,731	155,664	801,273

31 December 2022:	Local currency	USD	BD	EGP	JD	Euro	GBP	SAR	Other	Total
	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's equivalent	KD 000's
Assets										
Cash and bank balances	23,036	16,653	20,437	7,102	29,191	1,550	69	70,356	59,354	227,748
Time deposits	22,442	9,935	13,756	1,811	-	402	-	6,515	6,246	61,107
Other assets	18,490	2,186	7,790	15,044	3,918	-	-	7,775	2,573	57,776
Insurance contract assets	13,737	-	3,699	-	-	-	-	-	1,695	19,131
Reinsurance contract assets	113,102	10,417	19,998	6,350	3,445	7,336	-	13,706	38,003	212,357
Loans secured by life insurance policies	472	-	-	-	5	-	-	-	4	481
Investments held to maturity	12,700	9,239	4,183	17,433	-	-	-	9,773	9,807	63,135
Investments carried at fair value through profit or loss	8,642	16,709	840	19,008	2,252	-	-	142	5,865	53,458
Investments available for sale	11,247	148,801	17,035	203	3,320	-	-	38,486	52,050	271,142
Property and equipment	6,654	-	17,615	6,202	3,331	-	-	1,239	9,322	44,363
Investments in associates	19,120	-	258	2,433	-	-	-	10,027	11,879	43,717
Investment properties	-	612	3,979	2,056	71	-	-	-	3,103	9,821
Intangible assets	47	-	23,106	-	2,471	-	-	19,858	398	45,880
Goodwill	11,171	-	22,061	-	-	-	-	-	1	33,233
	260,860	214,552	154,757	77,642	48,004	9,288	69	177,877	200,300	1,143,349
Liabilities										
Insurance contract liabilities	127,609	16,847	71,540	22,074	27,398	11,742	-	117,202	149,502	543,914
Reinsurance contract liabilities	8,008	-	3,737	5,514	327	-	-	150	6,205	23,941
Term loans	58,077	-	-	-	-	-	-	-	-	58,077
Other liabilities	48,976	39,120	9,804	30,097	2,527	61	-	16,831	6,032	153,448
Total liabilities	242,670	55,967	85,081	57,685	30,252	11,803	-	134,183	161,739	779,380

Notes to Consolidated Financial Statements (continued)

22 Risk management (Continued)

(i) Currency risk (Continued)

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the material impact on profit (due to changes in fair value of currency sensitive monetary assets and liabilities).

	Change in variables	2023		2022	
		Impact on profit	Impact on equity	Impact on profit	Impact on equity
		KD 000's	KD 000's	KD 000's	KD 000's
USD	±5%	1,385	10,863	489	7,440
BD	±5%	817	954	2,632	852
EGP	±5%	1,370	10	988	10
JD	±5%	1,057	123	722	166
SAR	±5%	1,375	2,744	260	1,924

(ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk guideline requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The guideline also requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. The Group is not exposed to interest rate risk with respect of its term deposits carrying fixed interest rates.

The Group has no significant concentration of interest rate risk.

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Currency	Change in variables	2023		2022	
		Impact on profit before tax	Change in variables	Impact on profit before tax	Change in variables
		KD 000's		KD 000's	
KD	+50 bps	147	+50 bps	110	
USD	+50 bps	415	+50 bps	337	
BD	+50 bps	154	+50 bps	68	
Others	+50 bps	705	+50 bps	343	

The method used for deriving sensitivity information and significant variables did not change from the previous year.

(iii) Equity price risk

The Group is exposed to equity price risk with respect to its equity investments. Equity investments are classified either as investments at fair value through profit or loss (including trading securities) or available for sale investments.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group management and the Investment Strategy and Policy.

The equity price risk sensitivity is determined on the following market indices:

	2023	2022
	%	%
Kuwait market	-1%	15%
Rest of GCC market	26%	118%
MENA	55%	54%
Other international markets	0.75%	0.1%

The above percentages have been determined based on basis of the average market movements over a year period from January to December 2023 and 2022. The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting

date. The analysis reflects the impact of changes to equity prices in accordance with the above-mentioned equity price risk sensitivity assumptions.

	Profit for the year			Equity
	2023	2022	2023	2022
	KD 000's	KD 000's	KD 000's	KD 000's
Financial assets at fair value through OCI	-	-	2,240	20,474
Investment carried at fair value through profit or loss	10,243	14,589	-	-

The table below presents the geographical concentration of financial instruments exposed to equity price risk:

31 December 2023	GCC	MENA	Europe	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Financial assets at fair value through OCI	3,100	2,437	9,991	15,528
Investments carried at fair value through profit or loss	19,668	9,152	-	28,820
	22,768	11,588	9,991	44,347

31 December 2022	GCC	MENA	Europe	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Financial assets available for sale	17,025	4,019	-	21,044
Investments carried at fair value through profit or loss	12,496	4,048	-	16,544
	29,521	8,067	-	37,588

23 Related party transactions

Related parties represent associated companies, major shareholders, Directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Parent Company's management.

Transactions with related parties included in the consolidated statement of income are as follows:

	2023		2022	
	Premiums	Claims	Premiums	Claims
	KD 000's	KD 000's	KD 000's	KD 000's
Directors and key management personnel	146	23	240	28
Other related parties ¹	4,803	773	3,469	688
	4,949	796	3,709	716

Balances with related parties included in the consolidated statement of financial position are as follows:

	2023		2022	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
	KD 000's	KD 000's	KD 000's	KD 000's
Directors and key management personnel	199	-	441	9
Other related parties ¹	-	-	1,938	595
	199	-	2,379	604

¹ As at 31 December 2023 there was an amount of net receivable KD 629,733 from KIPCO Group and its subsidiaries (a related party during the year ended 31 December 2023 and as at 31 December 2022).

Notes to Consolidated Financial Statements (continued)

23 Related party transactions (Continued)

Key management personnel compensation:

	2023	2022
	KD 000's	KD 000's
Salaries and other short-term benefits	892	569
Employees' end of service benefits	566	893
	1,458	1,462

24 Subsidiaries companies

The consolidated financial statements include the following subsidiaries:

Name of the company	Percentage of ownership		Country of incorporation	Principal activity
	2023	2022		
Directly held:				
GIG Kuwait "Gulf Insurance and Reinsurance Company K.S.C. (Closed)"	99.80%	99.80%	Kuwait	Life and medical insurance and General risk
GIG Lebanon "Fajr Al Gulf Insurance and Reinsurance Company S.A.L."	92.69%	92.69%	Lebanon	General risk and life insurance and Reinsurance
GIG Egypt "Arab Misr Insurance Group Company S.A.E."	99.00%	99.00%	Egypt	General risk insurance
GIG Syria "Syrian Kuwait Insurance Company S.S.C." (note 27)	-	54.35%	Syria	General risk and life insurance
GIG Bahrain "Bahrain Kuwaiti Insurance Company B.S.C. (BKIC)"	56.12%	56.12%	Bahrain	General risk insurance
GIG Jordan "Arab Orient Insurance Company J.S.C."	89.87%	89.91%	Jordan	General risk insurance
GIG Egypt Takaful "Egypt Life Takaful Insurance Company S.A.E."	61.31%	61.31%	Egypt	Life Takaful insurance
GIG Iraq "Dar Al-Salam Insurance Company"	79.87%	79.87%	Iraq	General risk & life insurance
GIG Algeria "L'Algerienne Des Assurance (2a)"	51.00%	51.00%	Algeria	General risk insurance
Gulf Sigorta A.S.	99.22%	99.22%	Turkey	General risk insurance
GIG Gulf B.S.C.C	100%	100%	Bahrain	Life and medical insurance and General risk
AIG Egypt Company	95.33%	-	Egypt	General risk insurance
Held through GIG Kuwait				
GIG Kuwait Takaful "Gulf Takaful Insurance Company K.S.C.C."	66.63%	66.63%	Kuwait	Takaful insurance
Held through GIG Bahrain				
GIG Bahrain Takaful "Takaful International Company"	81.94%	81.94%	Bahrain	Takaful insurance
Held through GIG Gulf B.S.C.C.				
Gulf Insurance Group (Saudi Joint Stock Company)	50%	50%	Saudi Arabia	Cooperative Insurance operations

Material partly owned subsidiary:

The Group has concluded that Bahrain Kuwaiti Insurance Company B.S.C. ("BKIC") and Gulf Insurance Group (Saudi Joint Stock Company) are the only subsidiaries with non-controlling interests that are material

to the consolidated financial statements. Financial information of subsidiaries that have material non-controlling interests are provided below:

Accumulated balances of material non-controlling interests:

	2023	2022
	KD 000's	KD 000's
GIG Bahrain Company B.S.C.	17,917	17,236
Gulf Insurance Group (Saudi Joint Stock Company)	48,668	44,363

Profit allocated to material non-controlling interests:

	2023	2022
	KD 000's	KD 000's
GIG Bahrain Company B.S.C.	2,174	2,181
Gulf Insurance Group (Saudi Joint Stock Company)	4,250	139

Summarised financial information of these subsidiaries is provided below:

	2023		2022	
	GIG Bahrain	GIG Saudi	GIG Bahrain	GIG Saudi
	KD 000's	KD 000's	KD 000's	KD 000's
Statement of income				
Income	119,311	161,879	85,259	127,113
Expenses	(114,533)	(153,377)	(80,449)	(126,835)
Profit for the year	4,778	8,501	4,810	278
Total comprehensive income	4,662	7,338	4,404	(3,365)
Statement of financial position				
Total assets	140,884	253,516	122,979	221,935
Total liabilities	(102,114)	(156,180)	(85,661)	(133,209)
Total equity	38,770	97,336	37,318	88,726

25 Fair value measurement

The following table provides the fair value measurement hierarchy of the Group's assets carried at fair value.

31 December 2023	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD 000's	KD 000's	KD 000's	KD 000's
Investments at fair value through OCI					
Quoted equity securities	31 December 2023	15,528	15,528	-	-
Unquoted equity securities	31 December 2023	8,556	-	-	8,556
Quoted managed funds	31 December 2023	187	187	-	-
Quoted bonds	31 December 2023	30	-	-	30
Unquoted managed funds	31 December 2023	308,508	308,508	-	-
Investments carried at fair value through profit or loss:					
Quoted securities	31 December 2023	28,819	28,819	-	-
Unquoted equity securities	31 December 2023	980	-	-	980
Managed funds of quoted Securities	31 December 2023	39,740	39,740	-	-
Unquoted managed funds	31 December 2023	8,111	-	921	7,190
Quoted bonds	31 December 2023	7,479	7,479	-	-
Unquoted bonds	31 December 2023	4,300	-	-	4,300
Property and equipment					
Land	31 December 2023	12,466	-	12,466	-
Buildings	31 December 2023	22,236	-	22,236	-
Investment properties	31 December 2023	8,354	-	8,354	-
		465,294	400,261	43,977	21,056

Notes to Consolidated Financial Statements (continued)

25 Fair value measurement (Continued)

31 December 2022	Date of valuation	Total	Fair value measurement using		
			Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		KD 000's	KD 000's	KD 000's	KD 000's
Investments available for sale (AFS)					
Quoted equity securities	31 December 2022	21,044	21,044	-	-
Unquoted equity securities	31 December 2022	8,254	-	-	8,254
Quoted managed funds	31 December 2022	3,920	3,920	-	-
Unquoted managed funds	31 December 2022	49	-	-	49
Quoted bonds	31 December 2022	237,875	237,875	-	-
Investments carried at fair value through profit or loss:					
Held for trading:					
Quoted securities	31 December 2022	16,543	16,543	-	-
Unquoted securities	31 December 2022	3,258	-	330	2,928
Managed funds of quoted Securities	31 December 2022	27,497	27,497	-	-
Unquoted managed funds	31 December 2022	747	-	192	555
Quoted bonds	31 December 2022	5,413	5,413	-	-
Property and equipment					
Land	31 December 2022	16,458	-	16,458	-
Buildings	31 December 2022	23,331	-	23,331	-
Investment properties	31 December 2022	9,821	-	9,821	-
		374,210	312,292	50,132	11,786

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets which are recorded at fair value.

Year ended in 31 December 2023	At 1 January 2023	Change in fair value recorded in the consolidated statement of income	Change in fair value recorded in the consolidated statement of comprehensive income	Net additions and disposals	At 31 December 2023
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
FVTOCI:					
Unquoted equity securities	9,109	(552)	-	(1)	8,556
Unquoted managed funds	34	(4)	-	-	30
FVTPL:					
Unquoted equity securities	1,100	(56)	-	(64)	980
Unquoted managed funds	6,823	487	-	(120)	7,190
Unquoted bonds	4,300	-	-	-	4,300
	21,366	(125)	-	(185)	21,056
Year ended in 31 December 2022					
AFS:					
Unquoted equity securities	8,386	-	(13)	(119)	8,254
Unquoted managed funds	49	-	-	-	49
FVTPL:					
Unquoted equity securities	333	-	2,595	-	2,928
Unquoted managed funds	667	-	(112)	-	555
	9,435	-	2,470	(119)	11,786

Description of significant unobservable inputs to valuation of financial assets:

Unquoted securities represent delisted securities on stock exchange, which are valued based on last traded prices, adjusted for additional impairment losses recognised on a prudent basis. The Group is confident of realising the remaining amount and believes it to be reasonable estimates of fair value.

Unquoted managed funds are valued based on net assets value method using latest available financial statements of the funds, wherein the underlying assets are fair valued.

26 Capital management

The primary objective of the Group's capital management is to ensure that it maintains strong capital base and healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issues new shares or purchase/sale of treasury shares.

The Group's gearing ratio as at 31 December was as follows:

	2023	2022
	KD 000's	KD 000's
Credit facilities:		
Bank overdraft	3,082	-
Long-term loans	53,116	58,077
Net debt	56,198	58,077
Equity (excluding non-controlling interest and Subordinated perpetual Tier 2 bonds)	236,259	228,644
Total capital and net debt	292,457	286,721
Gearing ratio	19.22%	20.26%

Liabilities arising from insurance contracts are usually checked against designated funds to policyholders as per the regulators of each country of the Group's operations and is monitored on periodic basis through an adequate Asset Liability Model developed at Parent Company level as well as subsidiaries level.

No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022. The Group monitors its capital at the Group level and at each of its subsidiaries.

The Group monitors capital using a gearing ratio "Financial Leverage Ratio", which is net debt divided by total capital plus net debt. The Group includes within net debt, credit facilities granted from banks (such as loans) and debt securities issued (if exist). Capital represents equity after excluding non-controlling interest.

Insurance and reinsurance payables are also monitored against insurance and reinsurance receivables.

All the above ratios are monitored on periodic basis and any breach (if exists) is directly reported to the key management for their information and immediate actions.

27 Discontinued operations

On 14 August 2023, the Board of Directors of the Parent Company approved to sell the entire stake in Syrian Kuwait Insurance Company S.S.C. (GIG Syria). The disposal of GIG Syria was completed during the last quarter of the year ended in 31 December 2023. The disposal has resulted in the following:

	31 December 2023
	KD 000's
Net insurance financial result	(33)
Non-attributable general and administrative expenses	(28)
Net investment income	3,379
Profit for the period before taxation	3,318
Taxation	(27)
Profit for the year	3,291
Impairment of investment in a subsidiary held for sale	(4,641)
Foreign currency translation reserve recycled to statement of profit or loss	(7,533)
Gain on sale of a subsidiary	11
Loss from discontinued operations	(8,872)

28 Disposal Group held for sale

With respect to Group's stake in two of its associates, Al Buruj Insurance Company and United Networks Company, the Group had agreed to grant a third-party purchaser exclusivity.

During this period the parties will negotiate the terms of a potential disposal with the purchaser subject to the satisfaction of certain conditions.