Gulf Insurance Group K.S.C.P. and its Subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2023

EY
Building a better working world

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P.

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of Gulf Insurance Group K.S.C.P. (the "Parent Company") and its subsidiaries (collectively, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements*' section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

a) *Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities*

As at 31 December 2023, estimate of present value of cash flows and risk adjustment for non-financial risk included in liabilities for incurred claims amounting to KD 449.707 million (2022: KD 427.752 million), as reported in Note 8 to the consolidated financial statements.

The estimation of the liability for incurred claims involves a significant degree of judgement. This entails estimating the present value of future cash flows and the risk adjustment for non-financial risk.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

a) Valuation of estimates of present value of cashflows and risk adjustment for non-financial risk - insurance contract liabilities (continued)

Accordingly, complexities arises from calculating the actuarial best estimate and the margin using historical data which is sensitive to external inputs, such as claims cost inflation and medical trends, as well as the actuarial methodology that is applied and the assumptions on current and future events.

Due to the inherent estimation uncertainty and subjectivity involved in the assessment of valuation of the liability for incurred claims arising from insurance contracts, we have considered this as a key audit matter.

Refer to note 2 for the accounting policy and significant accounting judgements, estimates and assumptions adopted by the Group, involved in the initial recognition and subsequent measurement of insurance contract liabilities. Also, refer to note 8 for the movement in insurance contract liabilities.

Our procedures, among others, included the following:

- Understood, evaluated and tested key controls around the claims handling and provision setting processes.
- Evaluated the competence, capabilities and objectivity of the management's expert based on their professional qualifications and experience.
- Performed substantive tests, on sample basis, on the amounts recorded for claims intimated and paid; including comparing the outstanding claims amount to appropriate source documentation to evaluate the valuation of outstanding claim reserves.
- Assessed the integrity of data used as inputs into the actuarial valuations, and tested on sample basis, the accuracy of underlying claims data utilised by the management's expert in estimating the present value of the future cash flows and the risk adjustment for non-financial risk by comparing it to the accounting and other records.

- Involved our internal actuarial specialists to assess the Group's methods and assumptions and evaluate the Group's actuarial practices and provisions established including the actuarial report issued by management's expert, by performing the following:

i. Evaluated whether the Group's actuarial methodologies were consistent with generally accepted actuarial practices and with prior years.

ii. Assessed key actuarial assumptions including claims ratios and expected frequency and severity of claims.; and

iii. Assessed the appropriateness of the calculation methods and approach along with the assumptions used and sensitivity analysis performed.

- Further, we assessed the adequacy of the related disclosures given in Note 8 to the consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)
b) Adoption of IFRS 17 and IFRS 9

During the year the Group has adopted IFRS 17 "Insurance Contracts", which replaces IFRS 4 "Insurance Contracts", and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The Group has applied the full retrospective approach to each group of insurance contracts.

The adoption of IFRS 17 resulted in a transition adjustment to the Group's equity as at 1 January 2022 amounting to KD 1.027 million. IFRS 17 introduced new nomenclature for significant insurance-related balances as well as new measurement principles for insurance-related liabilities and insurance revenue recognition.

Further, during the year the Group also adopted IFRS 9 "Financial Instruments", which replaces IAS 39 "Financial Instruments: Recognition and Measurement". The Group has applied the temporary exemption from IFRS 9 for annual periods before 1 January 2023. For the transition to IFRS 9, the Group applied a modified retrospective approach. The adoption of IFRS 9 resulted in a transition adjustment to the Group's equity as at 1 January 2023 amounting to KD 4.267 million. IFRS 9 also required the management to assess its business model with respect to different portfolios of investments that drive the measurement and disclosures of the Group's investments. It also introduced the concept of Expected Credit Loss (ECL) which is a forward-looking estimate of credit losses for the Group's financial assets.

Due to first year adoption, which resulted in fundamental changes to classification and measurement of the main transactions and balances of the Group along with significant changes to presentation and disclosures that were required in the consolidated financial statements for the year ended 31 December 2023, we have considered this as a key audit matter.

Refer to note 2 for accounting policy, transition and significant accounting judgements, estimates and assumptions adopted by the Group.

Our procedures included, among others, the following:

- Obtained an understanding of the Group's implementation process for determining the impact of adoption of the standards, including understanding of the changes to the Group's accounting policies, systems, processes and controls.

- Evaluated and assessed management's process to identify insurance contracts, to determine the appropriate measurement model under IFRS 17.

- Assessed the Group's methods, assumptions and accounting policies adopted under IFRS 17 and IFRS 9, with the assistance of our actuarial and accounting specialists.

- Evaluated whether management's allocation of expenses under IFRS 17 was appropriate and tested, on a sample basis, such expenses.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)
b) Adoption of IFRS 17 and IFRS 9 (continued)

- Evaluated the risk adjustment for non-financial risk under IFRS 17 and tested, on a sample basis, the underlying data supporting the adjustment.

- Evaluated and assessed management’s conclusions regarding the Group’s business model for different portfolios of investments and the appropriateness of the Group’s determination of ECL under IFRS 9.

- Assessed the adequacy of the transition adjustments for both IFRS 17 and IFRS 9 on the opening retained earnings as at 1 January 2022 and as at 1 January 2023, respectively.

- Assessed the appropriateness of the transition and accounting policies disclosures in relation to IFRS 17 and IFRS 9 made in the consolidated financial statements.

Other information included in the Group’s 2023 Annual Report
Management is responsible for the other information. Other information consists of the information included in the Group’s 2023 Annual Report, other than the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF INSURANCE GROUP K.S.C.P. (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements
Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Companies Law No 1 of 2016, as amended, and its executive regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning establishment of Capital Markets Authority "CMA" and organization of security activity and its executive regulations, as amended during the year ended 31 December 2023 that might have had a material effect on the business of the Parent Company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

2 March 2024
Kuwait

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2023

	Notes	***2023 KD 000's***	*2022 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 KD 000's	*2022 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 2023 KD 000's*	*31 December 2022 KD 000's (Restated)*	*1 January 2022 KD 000's (Restated)*
ASSETS				
Cash and bank balances	5	**165,834**	227,748	231,601
Time deposits	6	**53,245**	61,107	74,373
Other assets	7	**45,507**	57,776	45,756
Insurance contract assets	8	**6,970**	19,131	34,143
Reinsurance contract assets	8	**242,269**	212,357	273,799
Loans secured by life insurance policies		**619**	481	499
Financial instruments:				
Investments held to maturity	9	**-**	63,135	61,656
Debt instruments at amortised cost	9	**76,895**	-	-
Investments carried at fair value through profit or loss	9	**89,429**	53,458	48,469
Investments available for sale	9	**-**	271,142	261,749
Investments at fair value through other comprehensive income	9	**332,809**	-	-
Property and equipment		**38,993**	44,363	45,575
Investments in associates	10	**24,297**	43,717	44,987
Investment properties		**8,354**	9,821	10,493
Intangible assets	11	**46,343**	45,880	48,034
Goodwill	12	**33,319**	33,233	32,706
		1,164,883	1,143,349	1,213,840
Disposal group held for sale	28	**10,533**	-	-
TOTAL ASSETS		**1,175,416**	1,143,349	1,213,840
LIABILITIES AND EQUITY				
LIABILITIES				
Insurance contract liabilities	8	**577,846**	543,914	642,099
Reinsurance contract liabilities	8	**36,053**	23,941	9,249
Bank Overdraft		**3,082**	-	-
Term loans	13	**53,116**	58,077	75,484
Other liabilities	14	**131,176**	153,448	138,524
Total liabilities		**801,273**	779,380	865,356
Equity				
Share capital	15	**28,457**	28,457	28,457
Share premium	15	**50,947**	50,947	50,947
Treasury shares	15	**(429)**	(429)	(429)
Treasury shares reserve		**3,099**	3,099	3,099
Statutory reserve	15	**28,457**	27,835	23,843
Voluntary reserve	15	**40,671**	38,416	34,424
Effect of changes in ownership interest of subsidiaries		**(2,837)**	(2,837)	(2,837)
Other reserve		**(1,643)**	(628)	(481)
Insurance and reinsurance finance reserve		**839**	1,264	-
Cumulative changes in fair value reserve		**(771)**	(455)	1,135
Foreign currency translation adjustments		**(39,315)**	(41,405)	(35,433)
Revaluation reserve		**16,014**	17,738	14,667
Retained earnings		**112,770**	106,642	93,740
Equity attributable to the equity holders of the Parent Company		**236,259**	228,644	211,132
Subordinated perpetual Tier 2 bonds	16	**60,000**	60,000	60,000
Non-controlling interests		**77,884**	75,325	77,352
Total equity		**374,143**	363,969	348,484
TOTAL LIABILITIES AND EQUITY		**1,175,416**	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 KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Treasury share reserve KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Effect of changes in ownership interest of subsidiaries KD 000's*	*Other reserve KD 000's*	*Insurance and reinsurance finance reserve KD 000's*	*Cumulative changes in fair value reserve KD 000's*	*Foreign currency translation adjustments KD 000's*	*Revaluation reserve KD 000's*	*Retained earnings KD 000's*	*Subtotal KD 000's*	*Subordinated perpetual tier 2 bonds KD 000's*	*Non-controlling interests KD 000's*	*Total equity 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**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2023

	Attributable to equity holders of the Parent Company																
	Share capital KD 000's	*Share premium KD 000's*	*Treasury shares KD 000's*	*Treasury share reserve KD 000's*	*Statutory reserve KD 000's*	*Voluntary reserve KD 000's*	*Effect of changes in ownership interest of subsidiaries KD 000's*	*Other reserve KD 000's*	*Insurance and reinsurance finance reserve KD 000's*	*Cumulative changes in fair value reserve KD 000's*	*Foreign currency translation adjustments KD 000's*	*Revaluation reserve KD 000's*	*Retained earnings KD 000's*	*Subtotal KD 000's*	*Subordinated perpetual tier 2 bonds KD 000's*	*Non-controlling interests KD 000's*	*Total equity KD 000's*
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

	Notes	**2023 KD 000's**	2022 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
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.

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 Boursa 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's 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.

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;
- Reclassifies the parent's share of components previously recognised in other comprehensive income to consolidated statement of income or retained earnings, as appropriate.

2.3 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.

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.

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

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):

- ➢ 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 measurement 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.

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 presentation and disclosure (continued)
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.

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 presentation and disclosure (continued)

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)

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.

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 (continued)
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.

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 (continued)

Transition impact (continued)

	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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Definition and classification (continued)

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

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 reassessed 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:

a. if the modified terms had been included at contract inception and the Group would have concluded that the modified contract:
   i. is not in scope of IFRS 17;
   ii. results in different separable components;
   iii. results in a different contract boundary; or
   iv. belongs to a different group of contracts;
b. the original contract represents an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or
c. 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Contract modification and derecognition (continued)
When an insurance contract not accounted for under the PAA is derecognized from within a Group of insurance contracts, the group:

a. 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.
b. 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:
   i. If the contract is extinguished, in the same amount as the adjustment to the FCF relating to future service.
   ii. 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.
   iii. If the original contract is modified resulting in its derecognition, in the amount of the FCF adjustment in a. 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.
c. 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:

a. 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;
b. 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;
c. 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.

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:
(a) are based on a probability weighted mean of the full range of possible outcomes.
(b) are determined from the perspective of the Group, provided the estimates are consistent with observable market prices for market variables; and
(c) 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Fulfilment cash flows (continued)
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:

a) 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
b) both of the following criteria are satisfied:
    i. the Group has the practical ability to reprice the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and
    ii. the pricing of premiums related to coverage to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Contract boundary (continued)
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:

a) the initial recognition of the FCF;
b) the derecognition at the date of initial recognition of any asset or liability recognized for insurance acquisition cash flows; and
c) 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

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

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

a) the initial recognition of the FCF; and
b) 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:

a) the LRC, comprising:
   i. the FCF related to future service allocated to the Group at that date; and
   ii. the CSM of the Group at that date; and
b) 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:

a) the remaining coverage, comprising:
   i. the FCF related to future service allocated to the Group at that date; and
   ii. the CSM of the Group at that date; and
b) 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:

a) changes that relate to current or past service are recognized in the consolidated statement of income; and
b) 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:

a) 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;
b) changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph;
c) differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period; and
d) 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:

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

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Changes in fulfilment cash flows (continued)
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.

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; and
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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

Initial and subsequent measurement – Groups of contracts measured under the PAA (continued)
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.

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:

a) costs directly attributable to individual contracts and groups of contracts; and
b) 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

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:
  a. insurance claims and expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
     i. amounts related to the loss component;
     ii. repayments of investment components;
     iii. amounts of transaction-based taxes collected in a fiduciary capacity; and
     iv. insurance acquisition expenses;
  b. changes in the risk adjustment for non-financial risk, excluding:
     i. changes included in insurance finance income (expenses);
     ii. changes that relate to future coverage (which adjust the CSM); and
     iii. amounts allocated to the loss component;
  c. amounts of the CSM recognized in statement of income for the services provided in the period; and
  d. 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:

a) incurred claims and benefits excluding investment components;
b) other incurred directly attributable insurance service expenses;
c) Insurance acquisitions costs incurred and amortization of insurance acquisition cash flows;
d) changes that relate to past service (i.e. changes in the FCF relating to the LIC); and
e) 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 17 Insurance Contracts (continued)

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:

a) reinsurance expenses (net of reinsurance premium-related commission income);
b) incurred claims recovery;
c) other incurred directly attributable insurance service expenses;
d) effect of changes in risk of reinsurer non-performance;
e) 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
f) 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:

a) 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.
b) 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);
c) amounts of the CSM recognized in statement of income for the services received in the period; and
d) 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:

a) the effect of the time value of money and changes in the time value of money; and
b) 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:

a) interest accreted on the FCF and the CSM;
b) the effect of changes in interest rates and other financial assumptions; and
c) 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:

a) changes in the fair value of underlying items;
b) interest accreted on the FCF relating to cash flows that do not vary with returns on underlying items; and
c) 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:

a) interest accreted on the LIC; and
b) 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

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

Insurance finance income or expenses (continued)
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.

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Initial Recognition and subsequent measurement (continued)

Debt instruments at amortised cost
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;
- 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)
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 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.

2.5 SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

IFRS 9 Financial Instruments (continued)

Impairment of financial assets (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in associates (continued)
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.

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".

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)
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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)
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 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).

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions (continued)
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.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

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 judgments 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 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, 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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

ii. Liability for remaining coverage (continued)

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.

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. Onerousity 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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

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 cashflows. 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 judgment 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.

2.6 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Insurance and reinsurance contracts (continued)

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 nonlinear. 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.

3 NET INVESTMENT INCOME

	2023 Total KD 000's	*2022 Total 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*
Profit for the year attributable to equity holders of the Parent Company (KD 000's)	**21,206**	33,376
	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 KD 000's	*2022 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 ***KD 000's***	*2022* *KD 000's*
Accrued interest and dividends income	**7,396**	4,326
Refundable deposits	**605**	930
Right of use assets	**5,348**	4,521
Deffered 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:

		31 December 2023			31 December 2022		
	Valuation Approach	**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

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)			Liabilities for remaining coverage (LRC)		Liabilities for incurred claims (LIC)		
	Excluding loss component KD 000'	Loss component KD 000'	Estimates of the present value of future cash flows KD 000'	Risk adjustment KD 000'	Total KD 000'	Excluding loss component KD 000'	Loss component KD 000'	Estimates of the present value of futurecash flows KD 000'	Risk adjustment KD 000'	Total 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

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		**LIC**			LRC		LIC		
	Excluding loss component *KD 000'*	**Loss component** *KD 000'*	**Estimates of the present value of future cash flows** *KD 000'*	**Risk adjustment** *KD 000'*	**Total** *KD 000'*	Excluding loss component *KD 000'*	Loss component *KD 000'*	Estimates of the present value of future cash flows *KD 000'*	Risk adjustment *KD 000'*	Total *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

8 INSURANCE AND REINSURANCE CONTRACTS (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 futurecash flows *KD 000'*	**Risk Adjustment for non-financial risk** *KD 000'*	**Contractual Service Margin (CSM)** *KD 000'*	**Total** *KD 000'*	Estimates of the present value of futurecash flows *KD 000'*	Risk Adjustment for non-financial risk *KD 000'*	Contractual Service Margin (CSM) *KD 000'*	Total *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 Cashflows	**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

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)**			Assets for remaining coverage (ARC)		Assets for amounts recoverable on incurred claims (AIC)		
	Excluding loss component	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	**Total**	Excluding loss component	Loss component	Estimates of the present value of futurecash flows	Risk adjustment	Total
	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

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)**			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 futurecash flows**	**Risk adjustment**	**Total**	Excluding loss recovery component	Loss recovery component	Estimates of the present value of futurecash 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

8 INSURANCE AND REINSURANCE CONTRACTS (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 futurecash flows *KD 000'*	Risk Adjustment for non-financial risk *KD 000'*	Contractual Service Margin (CSM) *KD 000'*	Total *KD 000'*	Estimates of the present value of futurecash flows *KD 000'*	Risk Adjustment for non-financial risk *KD 000'*	Contractual Service Margin (CSM) *KD 000'*	Total *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-financials 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	-	-	2769	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

8 INSURANCE AND REINSURANCE CONTRACTS (continued)

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

	31 December 2023			31 December 2022		
	Contracts written by the Group			Contracts written by the Group		
Impact on insurance contract liabilities	**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)

	31 December 2023			31 December 2022		
	Contracts written by the Group			Contracts written by the Group		
Impact on reinsurance (RI) contract assets	**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 INSURANCE AND REINSURANCE CONTRACTS (continued)

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					
	Up to 1 year	**1–2 years**	**2-3 years**	**3-4 years**	**>4 years**	**Total**
	KD 000'	***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					
	Up to 1 year	1–2 years	2-3 years	3-4 years	>4 years	Total
	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 KD 000's	*2022 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 KD 000's	*2022 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 KD 000's	*2022 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.

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)**	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)**	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 ***KD 000's***	*2022* *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*	**(10,824)**	-
Transferred to assets held for sale**	**(10,533)**	-
Carrying value at 31 December	**24,297**	43,717

*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.

** 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).

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

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

10 INVESTMENT IN ASSOCIATES (continued)

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

	Al-Argan KD 000's	*Alliance KD 000's*	*Others KD 000's*	***2023 KD 000's***	*2022 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 KD 000's	***Customer Relationships KD 000's***	***Licenses and others KD 000's***	***Total 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**

11 INTANGIBLE ASSETS (continued)

	Distribution Networks KD 000's	*Customer Relationships KD 000's*	*Licenses and Others KD 000's*	*Total KD 000's*
Cost:				
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

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 KD 000's	*2022 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.Ş."	**2,173**	2,173
	33,319	33,233

Movement on goodwill during the year is as follows:

	2023 KD 000's	*2022 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:

a) First loan is payable on annual installment 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 installment 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 installment basis beginning on 26 December 2023 with last installment to be due on 26 December 2027.

b) Second loan is payable on quarterly installment 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 installment is due on 30 September 2027.

14 OTHER LIABILITIES

	2023 KD	*2022 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.

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).

15 EQUITY, DIVIDENDS AND RESERVES (continued)

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.

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 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.

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 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 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 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.

18 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income

	General risk insurance						*Life and medical insurance*			
31 December 2023:	*Marine and aviation KD 000's*	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General Insurance KD 000's*	*Liability KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Unallocated KD 000's*	*Total 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**

18 SEGMENT INFORMATION (continued)

a) Segmental consolidated statement of income (continued)

31 December 2022:	*General risk insurance*						*Life and medical insurance*			
	Marine and aviation KD 000's	*Motor vehicles KD 000's*	*Property KD 000's*	*Engineering KD 000's*	*General Insurance KD 000's*	*Liability KD 000's*	*Life KD 000's*	*Medical KD 000's*	*Unallocated KD 000's*	*Total 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

18 SEGMENT INFORMATION (continued)

a) Segment consolidated statement of financial position

31 December 2023	***Non-life Insurance KD 000's***	***Life Insurance KD 000's***	***Un-allocated KD 000's***	***Total 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 KD 000's*	*Life Insurance KD 000's*	*Un-allocated KD 000's*	*Total 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.

18 SEGMENT INFORMATION (continued)

c) Geographic information

	Kuwait		*GCC Countries*		*Other ME Countries*		*Total*	
	2023 KD 000's	*2022 KD 000's*	***2023 KD 000's***	*2022 KD 000's*	***2023 KD 000's***	*2022 KD 000's*	***2023 KD 000's***	*2022 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 KD 000's	*2022 KD 000's*	***2023 KD 000's***	*2022 KD 000's*	***2023 KD 000's***	*2022 KD 000's*	***2023 KD 000's***	*2022 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 ***KD 000's***	*2022* *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).

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 by law, 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.

22 RISK MANAGEMENT (continued)

(b) Regulatory framework (continued)
The following are the key regulations governing the operation of the Group:

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.

22 RISK MANAGEMENT (continued)

(c) Capital management objectives, policies and approach (continued)

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 co-ordinated 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.

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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 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.

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Process used to decide on assumptions (continued)
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.

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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 KD 000's	*2014 KD 000's*	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*2022 KD 000's*	*2023 KD 000's*	*Total 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							
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**

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)

Gross undiscounted liabilities for incurred claims

	Before 2014 *KD 000's*	*2014* *KD 000's*	*2015* *KD 000's*	*2016* *KD 000's*	*2017* *KD 000's*	*2018* *KD 000's*	*2019* *KD 000's*	*2020* *KD 000's*	*2021* *KD 000's*	*2022* *KD 000's*	*2023* *KD 000's*	*Total* *KD 000's*
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*											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**

*Others includes insurance claims payable, inflation adjustment and other payables

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)

Undiscounted liabilities for incurred claims **net of reinsurance**

	Before 2014 *KD 000's*	*2014* *KD 000's*	*2015* *KD 000's*	*2016* *KD 000's*	*2017* *KD 000's*	*2018* *KD 000's*	*2019* *KD 000's*	*2020* *KD 000's*	*2021* *KD 000's*	*2022* *KD 000's*	*2023* *KD 000's*	*Total* *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	
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**

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Claims development table (continued)

***Undiscounted liabilities for incurred claims* net of reinsurance**

	Before 2014 KD 000's	*2014 KD 000's*	*2015 KD 000's*	*2016 KD 000's*	*2017 KD 000's*	*2018 KD 000's*	*2019 KD 000's*	*2020 KD 000's*	*2021 KD 000's*	*2022 KD 000's*	*2023 KD 000's*	*Total KD 000's*
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)**
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*											(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**

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

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

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 *KD 000's*	**Impact on LIC** *KD 000's*	LIC as at 31 December *KD 000's*	Impact on LIC *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.

	Insurance contract liabilities	**Reinsurance contract assets**
Mortality increases by 10%	**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. **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.	**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. **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

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Sensitivity analysis for contracts not measured under PAA (continued)

Lapse/Surrender increase in rates by 5%	**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 aging of the portfolio. **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.	**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. **GMM**: Similarly, under GMM, changes in lapse rates would affect the fulfillment 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.

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Sensitivity analysis for contracts not measured under PAA (continued)

	Insurance contract liabilities	Reinsurance contract assets
Expense loadings by 5%	**VFA:** the increase in expenses will lead to higher administrative and operational costs associated with managing the insurance contracts, which will increase the fulfillment cashflow (FCF) and hence, the Contractual Service Margin (CSM) would decrease. **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.	**N/A**
Yield Curve rates increase by 50bps.	**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. **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.	**VFA:** The impact of a yield curve increase on reinsurance contract assets would be indirect under VFA, **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 Fulfillment Cash Flow (FCF) associated with reinsurance contract assets, and decrease, the Contractual Service Margin (CSM).

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:

22 RISK MANAGEMENT (continued)

(d) Insurance risk (continued)

Concentration of insurance risk (continued)

	Non Life *KD 000's*	**Life** *KD 000's*	**Total** *KD 000's*	Non Life *KD 000's*	Life *KD 000's*	Total *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

22 RISK MANAGEMENT (continued)

(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 KD 000's*	*Life KD 000's*	*Unit linked KD 000's*	*Total 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**

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

Exposure to credit risk by classifying financial assets according to type of insurance	31 December 2022			
	General *KD 000's*	*Life* *KD 000's*	*Unit linked* *KD 000's*	*Total* *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

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.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD 000's*	*AA KD 000's*	*A KD 000's*	*BBB KD 000's*	*BB and below KD 000's*	*Not rated KD 000's*	*Total KD 000's*
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			
31 December 2023	*High grade KD 000's*	*Standard grade KD 000's*	*Past due or impaired KD 000's*	*Total KD 000's*
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**	**23,399**

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 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.

Exposure to credit risk by classifying financial assets according to international credit rating agencies	*AAA KD 000's*	*AA KD 000's*	*A KD 000's*	*BBB KD 000's*	*BB and below KD 000's*	*Not rated KD 000's*	*Total KD 000's*
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			
31 December 2022	*High grade KD 000's*	*Standard grade KD 000's*	*Past due or impaired KD 000's*	*Total KD 000's*
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

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(1) Credit risk (continued)

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

	Up to 1 month KD 000's	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*More than 1 year KD 000's*	*Total 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**

	Up to 1 month KD 000's	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*More than 1 year KD 000's*	*Total KD 000's*
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 KD 000's	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*Within 1-5 years KD 000's*	*Over 5 years KD 000's*	*Total KD 000's*
31 December 2023						
Insurance contract liabilities	**43,699**	**100,525**	**258,134**	**129,988**	**45,500**	**577,846**
Reinsurance contract	**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**

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(2) Liquidity risk (continued)

	Up to 1 month KD 000's	*Within 1-3 months KD 000's*	*Within 3-12 months KD 000's*	*Within 1-5 years KD 000's*	*Over 5 years KD 000's*	*Total 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.

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2023: **ASSETS**	***Local currency KD 000's equivalent***	***USD KD 000's equivalent***	***BD KD 000's equivalent***	***EGP KD 000's equivalent***	***JD KD 000's equivalent***	***Euro KD 000's equivalent***	***GBP KD 000's equivalent***	***SAR KD 000's equivalent***	***Other KD 000's equivalent***	***Total KD 000's***
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**
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**

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2023	***Local currency***	***USD***	***BD***	***EGP***	***JD***	***Euro***	***GBP***	***SAR***	***Other***	***Total***
LIABILITIES	***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***
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**

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2022: ASSETS	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*SAR KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
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

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(i) Currency risk (continued)

31 December 2022 LIABILITIES	*Local currency KD 000's equivalent*	*USD KD 000's equivalent*	*BD KD 000's equivalent*	*EGP KD 000's equivalent*	*JD KD 000's equivalent*	*Euro KD 000's equivalent*	*GBP KD 000's equivalent*	*SAR KD 000's equivalent*	*Other KD 000's equivalent*	*Total KD 000's*
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

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (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).

		2023		2022	
	Change in variables	***Impact on profit KD 000's***	***Impact on equity KD 000's***	*Impact on profit KD 000's*	*Impact on equity 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.

	2023		2022	
Currency	***Change in variables***	***Impact on profit before tax KD 000's***	*Change in variables*	*Impact on profit before tax 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.

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(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 ***KD 000's***	*2022* *KD 000's*	***2023*** ***KD 000's***	*2022* *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*** ***KD 000's***	***MENA*** ***KD 000's***	***Europe*** ***KD 000's***	***Total*** ***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**

22 RISK MANAGEMENT (continued)

(e) Financial risks (continued)

(3) Market risk (continued)

(iii) Equity price risk (continued)

31 December 2022	*GCC* *KD 000's*	*MENA* *KD 000's*	*Europe* *KD 000's*	*Total* *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 ***KD 000's***	***Claims*** ***KD 000's***	*Premiums* *KD 000's*	*Claims* *KD 000's*
Directors and key management personnel	**146**	**23**	240	28
Other related parties *	**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 ***KD 000's***	***Amounts owed to related parties*** ***KD 000's***	*Amounts owed by related Parties* *KD 000's*	*Amounts owed to related parties* *KD 000's*
Directors and key management personnel	**199**	**-**	441	9
Other related parties *	**-**	**-**	1,938	595
	199	**-**	2,379	604

* 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).

Key management personnel compensation:

	2023 ***KD 000's***	*2022* *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

24 SUBSIDIARIES COMPANIES (continued)

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 KD 000's	***GIG Saudi KD 000's***	*GIG Bahrain KD 000's*	*GIG Saudi 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**

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

25 FAIR VALUE MEASUREMENT (continued)

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 January2023 KD 000's*	*Change in fair value recorded in the consolidated statement of income KD 000's*	*Change in fair value recorded in the consolidated statement of comprehensive income KD 000's*	*Net additions and disposals KD 000's*	*At 31 December 2023 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.

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.

26 CAPITAL MANAGEMENT (continued)

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

	2023 *KD 000's*	*2022* *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.

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.

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