

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

**INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
(UNAUDITED)**

**31 MARCH 2023**





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## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP K.S.C.P.**

### *Introduction*

We have reviewed the accompanying interim condensed consolidated statement of financial position of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (collectively, the “Group”) as at 31 March 2023, and the related interim condensed consolidated statement of income, interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the three months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*”. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Basis for qualified conclusion*

This Interim Condensed Consolidated Financial Information of the Group for the period ended 31 March 2023 and the comparative periods presented thereto did not include the financial information of a major subsidiary (Gulf Insurance Group, A Saudi Joint Stock Company) (the subsidiary). The subsidiary did not finalize the interim condensed financial information for the period ended 31 March 2023 that reflects the adoption and implementation of IFRS 17 “Insurance Contracts” as the regulatory authority in the Kingdom of Saudi Arabia extended the submission of such interim condensed financial information to 2 July 2023. Therefore, the Parent Company did not consolidate the subsidiary and classified that as other assets. Had the Parent Company’s management consolidated the financial information of the subsidiary, many elements in the accompanying interim condensed consolidated financial information would have been materially affected. The effects on the interim condensed consolidated financial information of the non-consolidation of the subsidiary have not been determined.

### *Qualified Conclusion*

Based on our review, except for the matter described in the basis for qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

**REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF GULF INSURANCE GROUP K.S.C.P. (CONTINUED)**

**Report on other Legal and Regulatory Requirements**

Furthermore, based on our review, except for the matter described in the basis for qualified conclusion paragraph, the interim condensed consolidated financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any 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 during the three months period ended 31 March 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 review, to the best of our knowledge and belief, we have not become aware of any violations of the provisions of Law No 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three months period ended 31 March 2023 that might have had a material effect on the business of the Parent Company or on its financial position.



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

15 May 2023  
Kuwait

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 31 March 2023

	Notes	Three months ended 31 March	
		2023 KD 000's	2022 KD 000's (Restated)
<b>Revenue:</b>			
Insurance revenue	5	157,326	157,847
Insurance service expenses	5	(132,203)	(75,630)
<b>Insurance service result before reinsurance contracts held</b>		<b>25,123</b>	82,217
Net expense from reinsurance contracts held		(13,973)	(70,164)
<b>Insurance service result</b>		<b>11,150</b>	12,053
Finance (expense) income from insurance contracts issued	5	(4,700)	620
Finance income (expense) from reinsurance contracts held	6	3,173	(1,957)
<b>Net insurance financial result</b>		<b>9,623</b>	10,716
Net investment income		10,192	5,756
Non-attributable general and administrative expenses		(5,266)	(3,968)
Other expenses, net		(219)	(1,469)
Monetary loss from hyperinflation		(1,126)	(1,705)
Finance costs		(1,888)	(967)
<b>PROFIT FOR THE PERIOD BEFORE TAXATION</b>		<b>11,316</b>	8,363
Contribution to KFAS		(93)	(91)
NLST		(203)	(204)
Zakat		(38)	(30)
Taxation from subsidiaries		(347)	(1,011)
<b>PROFIT FOR THE PERIOD</b>		<b>10,635</b>	7,027
<b>Attributable to:</b>			
Equity holders of the Parent Company		9,414	7,030
Non-controlling interests		1,221	(3)
		<b>10,635</b>	7,027
<b>BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY</b>	7	<b>33.18 fils</b>	24.78 fils

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)

For the period ended 31 March 2023

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2023</b>	<b>2022</b>
	<b>KD 000's</b>	<b>KD 000's</b>
		<i>(Restated)</i>
Profit for the period	<b>10,635</b>	7,027
<b>Other comprehensive loss:</b>		
<i>Items that are or may be subsequently reclassified to interim condensed consolidated statement of income:</i>		
- Exchange differences on translation of foreign operations and share of OCI from associates	<b>(11,828)</b>	(8,096)
<i>Items that will not subsequently reclassified to interim condensed consolidated statement of income:</i>		
- Change in fair value of financial assets at FVOCI	<b>4,959</b>	(1,392)
Other comprehensive loss for the period	<b>(6,869)</b>	(9,488)
Total comprehensive income (loss) for the period	<b>3,766</b>	(2,461)
<b>Attributable to:</b>		
Equity holders of the Parent Company	<b>3,098</b>	(1,370)
Non-controlling interests	<b>668</b>	(1,091)
	<b>3,766</b>	(2,461)


The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2023

	Notes	31 March 2023 KD 000's	(Audited) 31 December 2022 KD 000's (Restated)	31 March 2022 KD 000's (Restated)
<b>ASSETS</b>				
Cash and bank balances		216,961	157,324	143,867
Time deposits		49,417	54,591	59,564
Other assets		97,017	91,564	87,715
Insurance contract assets	5	13,114	24,803	82,817
Reinsurance contract assets	6	208,007	194,463	212,663
Loans secured by life insurance policies		442	481	940
Financial instruments:				
Investments held to maturity		-	51,494	47,806
Investments available for sale		-	178,634	171,710
Debt instruments at amortised cost		45,357	-	-
Investments carried at fair value through profit or loss		76,159	53,458	49,406
Investments at fair value through other comprehensive income		161,653	-	-
Property and equipment		46,202	45,030	42,891
Investments in associates		41,373	41,655	43,105
Investment properties		9,970	9,300	9,937
Intangible assets		25,611	26,086	25,853
Goodwill		33,291	33,233	33,071
<b>TOTAL ASSETS</b>		<b>1,024,574</b>	<b>962,116</b>	<b>1,011,345</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Insurance contract liabilities	5	483,975	427,569	456,657
Reinsurance contract liabilities	6	20,751	24,559	34,986
Term loans	8	58,077	58,077	75,735
Bank overdraft		-	-	26,872
Other liabilities		131,721	126,340	116,480
<b>Total liabilities</b>		<b>694,524</b>	<b>636,545</b>	<b>710,730</b>
<b>Equity</b>				
Share capital	9	28,457	28,457	28,457
Share premium		50,947	50,947	50,947
Treasury shares	9	(429)	(429)	(429)
Treasury shares reserve		3,099	3,099	3,099
Statutory reserve		27,835	27,835	23,843
Voluntary reserve		38,416	38,416	34,424
Effect of changes in ownership interest of subsidiaries		(2,837)	(2,837)	(2,837)
Other reserve		(730)	(629)	173
Cumulative changes in fair value reserve		3,596	(2,668)	(198)
Foreign currency translation adjustments		(55,369)	(44,171)	(42,500)
Revaluation reserve		17,738	17,738	14,667
Retained earnings		129,203	119,044	103,545
<b>Equity attributable to the equity holders of the Parent Company</b>		<b>239,926</b>	<b>234,802</b>	<b>213,191</b>
Subordinated perpetual Tier 2 bonds		60,000	60,000	60,000
Non-controlling interests		30,124	30,769	27,424
<b>Total equity</b>		<b>330,050</b>	<b>325,571</b>	<b>300,615</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,024,574</b>	<b>962,116</b>	<b>1,011,345</b>

  
Khaled Saoud Al-Hasan  
Chief Executive Officer

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2023

	<i>Attributable to equity holders of the Parent Company</i>															
	<i>Share capital</i>	<i>Share Premium</i>	<i>Treasury shares</i>	<i>Treasury shares reserve</i>	<i>Statutory reserve</i>	<i>Voluntary reserve</i>	<i>Effect of changes in Interest of Subsidiaries</i>	<i>Other reserve</i>	<i>Cumulative changes in fair values</i>	<i>Foreign currency translation adjustments</i>	<i>Revaluation reserve</i>	<i>Retained earnings</i>	<i>Sub-total</i>	<i>Subordinated perpetual tier 2 bonds</i>	<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>	<i>KD 000's</i>
As at 1 January 2023 as previously reported	28,457	50,947	(429)	3,099	27,835	38,416	(2,837)	(637)	(1,825)	(47,392)	17,738	115,609	228,981	60,000	75,832	364,813
Restating the impact of unconsolidated subsidiary	-	-	-	-	-	-	-	8	(843)	3,221	-	5,504	7,890	-	(46,105)	(38,215)
Impact of initial application of IFRS 17 (Note 2.1.1)	-	-	-	-	-	-	-	-	-	-	-	(2,069)	(2,069)	-	1,042	(1,027)
As at 1 January 2023 (restated)	28,457	50,947	(429)	3,099	27,835	38,416	(2,837)	(629)	(2,668)	(44,171)	17,738	119,044	234,802	60,000	30,769	325,571
Impact of initial application of IFRS 9 (2.1.2)	-	-	-	-	-	-	-	-	1,382	-	-	(811)	571	-	67	638
Profit for the period	-	-	-	-	-	-	-	-	-	-	-	9,414	9,414	-	1,221	10,635
Other comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	4,882	(11,198)	-	-	(6,316)	-	(553)	(6,869)
Total comprehensive income (loss) for the period	-	-	-	-	-	-	-	-	4,882	(11,198)	-	9,414	3,098	-	668	3,766
Interest on subordinated perpetual tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	(1,049)	(1,049)	-	-	(1,049)
Amortization of subordinated Tier 2 Bonds transactions costs	-	-	-	-	-	-	-	-	-	-	-	(31)	(31)	-	-	(31)
Movement in other reserve	-	-	-	-	-	-	-	(101)	-	-	-	-	(101)	-	(39)	(140)
Hyperinflation adjustments	-	-	-	-	-	-	-	-	-	-	-	2,636	2,636	-	20	2,656
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,361)	(1,361)
<b>As at 31 March 2023</b>	<b>28,457</b>	<b>50,947</b>	<b>(429)</b>	<b>3,099</b>	<b>27,835</b>	<b>38,416</b>	<b>(2,837)</b>	<b>(730)</b>	<b>3,596</b>	<b>(55,369)</b>	<b>17,738</b>	<b>129,203</b>	<b>239,926</b>	<b>60,000</b>	<b>30,124</b>	<b>330,050</b>

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 March 2023

	Share capital	Share Premium	Treasury shares	Treasury shares reserve	Statutory reserve	Voluntary reserve	Effect of changes in Interest of Subsidiaries	Other reserve	Cumulative changes in fair values	Foreign currency translation adjustments	Revaluation reserve	Retained earnings	Sub-total	Subordinate perpetual tier 2 bonds	Non-controlling interests	Total equity
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
As at 1 January 2022 as previously reported	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
Restating the impact of unconsolidated subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(47,733)	(47,733)
Impact of initial application of IFRS 17 (Note 2.1.1)	-	-	-	-	-	-	-	-	-	-	-	(2,069)	(2,069)	-	1,042	(1,027)
As at 1 January 2022 (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	29,619	300,751
Profit (loss) for the period	-	-	-	-	-	-	-	-	-	-	-	7,030	7,030	-	(3)	7,027
Other comprehensive loss for the period	-	-	-	-	-	-	-	-	(1,333)	(7,067)	-	-	(8,400)	-	(1,088)	(9,488)
Total comprehensive (loss) income for the period	-	-	-	-	-	-	-	-	(1,333)	(7,067)	-	7,030	(1,370)	-	(1,091)	(2,461)
Interest on subordinated perpetual Tier 2 bonds	-	-	-	-	-	-	-	-	-	-	-	(647)	(647)	-	-	(647)
Amortization of subordinated Tier 2 Bonds transactions costs	-	-	-	-	-	-	-	-	-	-	-	(31)	(31)	-	-	(31)
Movement in other reserve	-	-	-	-	-	-	-	654	-	-	-	-	654	-	(3)	651
Hyperinflation adjustments	-	-	-	-	-	-	-	-	-	-	-	3,453	3,453	-	27	3,480
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,128)	(1,128)
As at 31 March 2022	28,457	50,947	(429)	3,099	23,843	34,424	(2,837)	173	(198)	(42,500)	14,667	103,545	213,191	60,000	27,424	300,615

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.



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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(UNAUDITED)

For the period ended 31 March 2023

	<i>Three months ended 31 March</i>	
	<b>2023</b> <i>KD 000's</i>	<b>2022</b> <i>KD 000's</i> <i>(Restated)</i>
<b>OPERATING ACTIVITIES</b>		
Profit for the period before taxation	<b>11,316</b>	8,363
<i>Adjustments for:</i>		
Depreciation of property and equipment	<b>827</b>	845
Amortisation of intangible assets	<b>536</b>	539
Net investment income	<b>(10,192)</b>	(6,770)
Finance costs	<b>1,888</b>	603
Monetary loss from hyperinflation	<b>1,126</b>	1,705
	<b>5,501</b>	5,285
<i>Changes in operating assets and liabilities:</i>		
Other assets	<b>(5,484)</b>	7,391
Insurance contract assets	<b>11,689</b>	20,738
Reinsurance contract assets	<b>(13,544)</b>	(10,115)
Insurance contract liabilities	<b>56,406</b>	(7,637)
Reinsurance contract liabilities	<b>(3,808)</b>	(30,861)
Other liabilities	<b>3,929</b>	(19,646)
Remuneration paid to directors	<b>(185)</b>	(185)
Net cash flows from (used in) operating activities	<b>54,504</b>	(35,030)
<b>INVESTING ACTIVITIES</b>		
Movement in time deposits	<b>5,174</b>	(2,558)
Net movement of investments	<b>544</b>	(4,359)
Net movement of debt instruments at amortized cost	<b>6,137</b>	(7,757)
Loans secured by life insurance policies	<b>39</b>	(441)
Purchase of property and equipment	<b>(1,999)</b>	(855)
Proceeds from sale of property and equipment	<b>14</b>	63
Investment income received	<b>9,546</b>	5,818
Net cash flows from (used in) investing activities	<b>19,455</b>	(10,089)
<b>FINANCING ACTIVITIES</b>		
Finance costs paid	<b>(1,888)</b>	(603)
Dividends paid to non-controlling interests	<b>(1,361)</b>	(1,128)
Net movement in bank overdraft	<b>-</b>	26,872
Net cash flows (used in) from financing activities	<b>(3,249)</b>	25,141
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>70,710</b>	(19,978)
Net foreign exchange difference	<b>(11,073)</b>	(4,106)
Cash and cash equivalents at 1 January	<b>157,324</b>	167,951
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>	<b>216,961</b>	143,867

The attached notes 1 to 13 form part of this interim condensed consolidated financial information.

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 1 ACTIVITIES

The interim condensed consolidated financial information of Gulf Insurance Group K.S.C.P. (the “Parent Company”) and its subsidiaries (the “Group”) were authorised for issue by the Board of Directors on 15 May 2023.

The Ordinary Annual General Assembly meeting of the Parent Company’s shareholders held on 15 May 2023, approved the consolidated financial statements for the year ended 31 December 2022 and approved the Board of Director’s proposal for distributing cash dividends to the shareholders of 54 fils per share.

The Parent Company is a Kuwaiti Shareholding Company incorporated in the State of Kuwait in accordance with the Amiri Decree No. 25 of 9 April 1962 and is listed on Boursa Kuwait. The address of the Parent Company’s registered office is Khaled Ibn Al-Waleed Street, KIPCO Tower, Floor No 40, Office No 49 & 50, Sharq, Kuwait City P.O. Box 1040 Safat, 13011 State of 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 Parent Company is 46.32% (31 December 2022: 46.32% and 31 March 2022: 46.32%) owned by Kuwait Projects Company Holding K.S.C. (KPCO) and 43.69% (31 December 2022: 43.69% and 31 March 2022: 43.69%) by Fairfax Middle East Limited Company.

### 2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group is prepared in accordance with International Accounting Standard (IAS 34), Interim Financial Reporting.

The interim condensed consolidated financial information is presented in Kuwaiti Dinars to the nearest thousand, which is the functional currency of the Parent Company.

The interim condensed consolidated financial information does not contain all information and disclosures required for full consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2022. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the three months period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

#### 2.1 New standards, interpretations and amendments adopted by the Group

In this interim condensed consolidated financial information, the Group has applied IFRS 17 and IFRS 9 for the first time.

##### 2.1.1 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:

##### 2.1.1.1 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**2.1 New standards, interpretations and amendments adopted by the Group (continued)**

***IFRS 17 Insurance Contracts (continued)***

**2.1.1.1 Changes to classification and measurement (continued):**

The key principles of IFRS 17 are that the Group:

- Identifies insurance contracts as those under which the Group accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder
- Separates specified embedded derivatives, distinct investment components and distinct goods or services other than insurance contract services from insurance contracts and accounts for them in accordance with other standards
- Divides the insurance and reinsurance contracts into groups it will recognise and measure
- Recognises and measures groups of insurance contracts at:
  - A risk-adjusted present value of the future cash flows (the fulfilment cash flows) 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) or Variable fee approach (VFA). 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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**2.1 New standards, interpretations and amendments adopted by the Group (continued)**

***IFRS 17 Insurance Contracts (continued)***

**2.1.1.1 Changes to classification and measurement (continued):**

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.

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.

**2.1.1.2 Changes to presentation and disclosure**

For presentation in the interim condensed 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 interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income have been changed significantly compared with last year. As follows:

**Previously reported under IFRS 4:**

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

**IFRS 17 requires separate presentation of:**

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

**2.1.1.3 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. 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.

# Gulf Insurance Company K.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 2.1 New standards, interpretations and amendments adopted by the Group (continued)

#### *IFRS 17 Insurance Contracts (continued)*

##### *2.1.1.3 Transition (continued)*

###### Full retrospective approach

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

###### Fair valuation approach

The Group has applied the fair value approach on transition for certain groups of term-life contracts as, prior to transition, it grouped contracts from multiple cohorts and years into a single unit for accounting purposes. Obtaining reasonable and supportable information to apply the full retrospective approach was impracticable without undue cost or effort. The Group has determined the CSM of the liability for remaining coverage at the transition date, as the difference between the fair value of the group of insurance contracts and the fulfilment cash flows measured at that date.

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

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

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

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

Items presented for Primary insurance contracts and Reinsurance contracts	Impact on equity for the year ended 31 December 2022 <i>KD 000'</i>
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
	<hr/>
	(1,027)
	<hr/>
Attributable to equity holders of the Parent Company	(2,069)
Attributable to Non-controlling interest	1,042
	<hr/>
	(1,027)
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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2023

**2.1 New standards, interpretations and amendments adopted by the Group (continued)**

**2.1.2 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.

The nature of the changes in accounting policies can be summarised, as follows:

**2.1.2.1 Changes to classification and 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 Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)

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

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the 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.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**2.1 New standards, interpretations and amendments adopted by the Group (continued)**

**2.1.2 IFRS 9 Financial Instruments (continued)**

**2.1.2.1 Changes to classification and measurement (continued)**

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

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 interim condensed 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.

***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 interim condensed consolidated statement of income. Dividends are recognised in interim condensed 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 interim condensed consolidated statement of changes in equity. The management classifies certain equity investments at FVOCI and are separately disclosed in the interim condensed consolidated statement of financial position.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2023

**2.1 New standards, interpretations and amendments adopted by the Group (continued)**

**2.1.2 IFRS 9 Financial Instruments (continued)**

**2.1.2.1 Changes to classification and measurement (continued)**

**Measurement categories of financial assets and liabilities (continued)**

***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 interim condensed 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 interim condensed 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.

**2.1.2.2 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's incurred loss approach with a forward-looking expected credit loss (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 Group's 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 the Group 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.

**2.1.2.3 Transition impact**

The impact of this change in accounting policy as at 1 January 2023 has resulted in decrease in retained earnings by KD 811 thousand and an increase in the cumulative changes in fair value by KD 1,382 thousand. The impact of applying IFRS 9 on the Group financial assets is very minimal as the classification of the group financial assets are not materially different than the classification with IAS 39 as follows:



# Gulf Insurance Company K.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 2.1 New standards, interpretations and amendments adopted by the Group (continued)

#### 2.1.2 IFRS 9 Financial Instruments (continued)

##### 2.1.2.3 Transition impact

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.

	<i>Original classification under IAS 39</i>	<i>New classification under IFRS 9</i>
Cash and bank balances	Loans and receivables	Loans and receivables
Time deposits	Loans and receivables	Loans and receivables
Other assets	Loans and receivables	Loans and receivables
Investments held to maturity	Investments held to maturity	FVTPL
Quoted equity investments	Available for sale	FVOCI
Equity investments	Available for sale	FVOCI
Equity investments	FVTPL	FVTPL

### 2.2 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 interim condensed consolidated financial information. The Group intends to adopt these standards when they become effective.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held

#### 3.1.1 Classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its 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.

#### The Group issues the following products

- non-life insurance to individuals and businesses. Non-life insurance products offered include property, marine, and personal accident. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.
- annuity contracts and term life contracts with a surrender value.

The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities.

#### 3.1.2 Separating components from insurance and reinsurance contracts

The Group assesses its non-life insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Group's products do not include any distinct components that require separation.

#### 3.1.3 Level of Aggregation

IFRS 17 requires the Group to determine the level of aggregation for applying its requirements.

The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together.

The Group applied a full retrospective approach for transition to IFRS 17 under PAA. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes. Hence, within each year of issue, portfolios of contracts are divided into three groups, as follows:

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.3 Level of Aggregation (continued)**

- (i) any contracts that are onerous on initial recognition.
- (ii) any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- (iii) any remaining contracts in the portfolio.

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

- Pricing information
- Historical information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

**3.1.4 Recognition**

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date.
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous.

The Group recognises a group of reinsurance contracts held it has entered into from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. (However, the Group delays the recognition of a group of reinsurance contracts held that provide proportionate coverage until the date any underlying insurance contract is initially recognised, if that date is later than the beginning of the coverage period of the group of reinsurance contracts held, and
- The date the Group recognises an onerous group of underlying insurance contracts if the Group entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

**3.1.5 Contract boundary**

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

Or Both of the following criteria are satisfied:

- The Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.6 Insurance contracts- Initial and subsequent measurement**

**3.1.6.1 Initial measurement**

The following table sets out the accounting policy choices adopted by the Group:

	<b><u>IFRS 17 Options</u></b>	<b><u>Adopted approach</u></b>
<b>Insurance acquisition cash flows</b>	<p>Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group.</p> <p>For groups containing contracts longer than one year, insurance acquisition cash flows must be allocated to related groups of insurance contracts and amortised over the coverage period of the related group.</p>	<p>Insurance acquisition cash flows are allocated to related groups of insurance contracts and amortised over the coverage period of the related group using a systematic and rational basis.</p>
<b>Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money</b>	<p>Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.</p>	<p>For all contracts measured under the PAA, there is no allowance as the premiums are expected to be received within one year of the coverage period.</p>
<b>Liability for Incurred Claims, (LFIC) adjusted for time value of money</b>	<p>Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.</p>	<p>The Group discounts the LIC for the time value of money where claims are expected to be paid within more than a year.</p>
<b>Insurance finance income and expense</b>	<p>There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.</p>	<p>The Change in LFIC as a result of changes in discount rates will be captured within profit or loss. The OCI option may be applied for certain long term life products.</p>

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

***3.1.6 Insurance contracts- Initial and subsequent measurement (continued)***

***3.1.6.1 Insurance contracts measured under the premium allocation approach - Initial and Subsequent Measurement***

The Group applies the premium allocation approach (PAA) to all the insurance contracts that it issues and reinsurance contracts that it holds, as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary. Or
- For contracts longer than one year, the Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

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

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

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised. Insurance acquisition cash flows are allocated as a portion of premium to profit or loss (through insurance revenue).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.6 Insurance contracts- Initial and subsequent measurement (continued)**

**3.1.6.3 Insurance contracts measured other than PAA - Initial and Subsequent Measurement**

**Initial measurement**

The general model measures a group of insurance contracts as the total of:

- Fulfilment cash flows
- A Contractual Service Margin (CSM) representing the unearned profit the Group will recognise as it provides insurance contract services under the insurance contracts in the group.

Fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, plus a risk adjustment for non-financial risk.

The Group's objective in estimating future cash flows is to determine the expected value, or the probability weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions.

When estimating future cash flows, the Group includes all cash flows that are within the contract boundary including:

- Premiums and related cash flows
- Claims and benefits, including reported claims not yet paid and expected future claims
- Payments to policyholders resulting from embedded surrender value options
- An allocation of insurance acquisition cash flows attributable to the portfolio to which the contract belongs
- Claims handling costs
- Policy administration and maintenance costs, including recurring commissions that are expected to be paid to intermediaries
- An allocation of fixed and variable overheads directly attributable to fulfilling insurance contracts
- Transaction-based taxes

The Group updates its estimates at the end of each reporting period using all newly available information, as well as historic evidence and information about trends. The Group determines its current expectations of probabilities of future events occurring at the end of the reporting period. In developing new estimates, the Group considers the most recent experience and earlier experience, as well as other information.

The measurement of fulfilment cash flows includes insurance acquisition cash flows which are allocated as a portion of premium to profit or loss (through insurance revenue) over the period of the contract in a systematic and rational way on the basis of the passage of time.

**Subsequent measurement:**

The CSM at the end of the reporting period represents the profit in the group of insurance contracts that has not yet been recognised in profit or loss, because it relates to future service to be provided.

For a group of insurance contracts, the carrying amount of the CSM of the group at the end of the reporting period equals the carrying amount at the beginning of the reporting period adjusted, as follows:

- The effect of any new contracts added to the group
- Interest accreted on the carrying amount of the CSM during the reporting period, measured at the discount rates at initial recognition.
- The changes in fulfilment cash flows relating to future service, except to the extent that:
  - Such increases in the fulfilment cash flows exceed the carrying amount of the CSM, giving rise to a loss; or
  - Such decreases in the fulfilment cash flows are allocated to the loss component of the liability for remaining coverage

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**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.6 Insurance contracts- Initial and subsequent measurement (continued)**

**3.1.6.3 Insurance contracts measured other than PAA - Initial and Subsequent Measurement**

**Subsequent measurement:**

The changes in fulfilment cash flows relating to future service that adjust the CSM comprise of:

- Experience adjustments that arise from the difference between the premium receipts (and any related cash flows such as insurance acquisition cash flows and insurance premium taxes) and the estimate, at the beginning of the period, of the amounts expected. Differences related to premiums received (or due) related to current or past services are recognised immediately in profit or loss while differences related to premiums received (or due) for future services are adjusted against the CSM
- Changes in estimates of the present value of future cash flows in the liability for remaining coverage. For contracts measured under the GMM these changes exclude those relating to the time value of money and changes in financial risk (recognised in the statement of profit or loss and other comprehensive income rather than adjusting the CSM)
- Differences between any investment component expected to become payable in the period and the actual investment component that becomes payable in the period. Those differences are determined by comparing (i) the actual investment component that becomes payable in the period with (ii) the payment in the period that was expected at the start of the period plus any insurance finance income or expenses related to that expected payment before it becomes payable.
- Changes in the risk adjustment for non-financial risk that relate to future service.

Except for changes in the risk adjustment, adjustments to the CSM noted above are measured at discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Where, during the coverage period, a group of insurance contracts becomes onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

The Group measures the carrying amount of a group of insurance contracts at the end of each reporting period as the sum of: (i) the liability for remaining coverage comprising fulfilment cash flows related to future service allocated to the group at that date and the CSM of the group at that date; and (ii) the liability for incurred claims for the Group comprising the fulfilment cash flows related to past service allocated to the group at that date.

**3.1.7 Reinsurance contracts held - Initial and subsequent measurement**

**3.1.7.1 Reinsurance contracts held measured under the premium allocation approach -Initial measurement**

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.7.1 Reinsurance contracts held measured under the premium allocation approach (continued)**

**subsequent measurement**

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

**3.1.7.2 Reinsurance contracts held measured other than PAA - Initial and Subsequent Measurement**

**Initial measurement**

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurers, including the effects of collateral and losses from disputes
- The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer
- The Group recognises both day 1 gains and day 1 losses at initial recognition in the interim condensed consolidated statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition

Where the Group enters into reinsurance contracts held which provide coverage relating to events that occurred before the purchase of the reinsurance, such cost of reinsurance is recognised in profit or loss on initial recognition.

**Subsequent measurement**

The measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued, with the exception of the following:

- Changes in the fulfilment cash flows are recognised in profit or loss if the related changes arising from the underlying ceded contracts have been recognised in profit or loss. Alternatively, changes in the fulfilment cash flows adjust the CSM.
- Changes in the fulfilment cash flows that result from changes in the risk of non-performance by the issuer of a reinsurance contract held do not adjust the contractual service margin as they do not relate to future service.

Any change in the fulfilment cash flows of a retroactive reinsurance contract held due to the changes of the liability for incurred claims of the underlying contracts is taken to profit and loss and not the contractual service margin of the reinsurance contract held. Where a loss component has been set up subsequent to initial recognition of a group of underlying insurance contracts, the portion of income that has been recognised from related reinsurance contracts held is disclosed as a loss-recovery component.

Where the Group has established a loss-recovery component, the Group adjusts the loss-recovery component to reflect changes in the loss component of an onerous group of underlying insurance contracts.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.7.3 Insurance contracts – modification and derecognition**

The Group derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired),  
Or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Group derecognises the initial contract and recognises the modified contract as a new contract

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

**3.1.8 Insurance acquisition cash flows**

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

All acquisition costs are to be deferred. The Group uses a systematic and rational method to allocate attributable expenses to a group of contacts:

(a) Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

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

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the interim condensed consolidated statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group.

If an impairment loss is recognised, the carrying amount of the asset is adjusted and an impairment loss is recognised in profit or loss.

The Group recognises in profit or loss a reversal of some or all of an impairment loss previously recognised and increases the carrying amount of the asset, to the extent that the impairment conditions no longer exist or have improved.

**3.1.9 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 US Treasury Curve, and the relevant country specific credit risk premium will be loaded as required.

**3.1.10 Risk adjustment**

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

- Future Cash Flow (FCF) and 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.



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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
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As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.1 Changes in accounting policies for insurance contracts issued and reinsurance contracts held (continued)**

**3.1.10 Risk adjustment (continued)**

*Derivation of the risk adjustment*

The Group has determined that the derivation of the risk adjustment shall be performed at the operating Group level using an appropriate methodology that is in line with IFRS 17 guidelines.

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

The Group will a set confidence level in the range of the 60th to 75th percentile, on a diversified basis. 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.

**3.1.11 Insurance revenue**

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the periods presented, all revenue has been recognised on the basis of the passage of time.

**3.1.12 Insurance finance income and expense**

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

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

**3.1.13 Net income or expense from reinsurance contracts held**

The Group presents separately on the face of the interim condensed consolidated statement of profit or loss, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held and excludes investment components and commissions from an allocation of reinsurance premiums presented on the face of the interim condensed consolidated statement of profit or loss.

***3.2 Financial assets***

***3.2.1 Initial recognition***

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at FVPL, transaction costs are added to this amount.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Financial assets (continued)**

**3.2.2 Classification and subsequent measurement**

*Financial assets - Policy effective from 1 January 2023 (IFRS 9)*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- ▶ it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- ▶ its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost, at FVOCI as at FVTPL if doing so eliminates, or significantly reduces an accounting mismatch that would otherwise arise.

**Financial assets – Business model assessment: Policy applicable from 1 January 2023**

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Financial assets (continued)

3.2.2 Classification and subsequent measurement (continued)

**Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest: Policy applicable from 1 January 2023**

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group’s claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

**Financial assets – Subsequent measurement and gains and losses: Policy applicable from 1 January 2023**

- |                                      |  |
|--------------------------------------|--|
| ▶ Financial assets at FVTPL          | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.   |
| ▶ Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.                             |
| ▶ Debt investments at FVOCI          | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| ▶ Equity investments at FVOCI        | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.   |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Financial assets (continued)**

**3.2.2 Classification and subsequent measurement (continued)**

**Financial assets – Policy applicable before 1 January 2023**

- ▶ Financial assets at fair value through profit or loss Measured at fair value and changes therein, including any interest or dividend income, were recognised in profit or loss.
- ▶ Held-to-maturity financial assets Measured at amortised cost using the effective interest method.
- ▶ Loans and receivables Measured at amortised cost using the effective interest method.
- ▶ Available-for-sale financial assets (AFS) Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognised in OCI and accumulated in the fair value reserve. When these assets were derecognised, the gain or loss accumulated in equity was reclassified to profit or loss.

**3.2.3 Derecognition**

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised in its interim condensed consolidated statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**3.2.4 Impairment of financial assets**

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group's debt instruments comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. Where the credit risk of any bond deteriorates, the Group will sell the bond and purchase bonds meeting the required investment grade.

The Group considers a financial asset to be in default (credit impaired) when contractual payments pass the default point. However, 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 ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the interim condensed consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.2 Financial assets (continued)**

**3.2.4 Impairment of financial assets (continued)**

**3.2.4.1 Calculation of the ECL**

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

Probability of default (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.
Exposure at default (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.
Loss given default (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.

**4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

**Insurance and reinsurance contracts**

The Group applies the PAA (where applicable) to simplify the measurement of insurance contracts. When measuring liabilities for remaining coverage, 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.

**Liability for remaining coverage:**

**Insurance acquisition cash flows**

For certain product lines, the Group is eligible and chooses to recognise insurance acquisition cash flows as an expense immediately as incurred. This is because all insurance contracts issued within these product lines have a coverage period of one year or less. where the Group is not eligible to recognise an expense immediately, insurance acquisition cash flows are allocated to related groups of insurance contracts recognised in the interim condensed consolidated statement of financial position (including those groups that will include insurance contracts expected to arise from renewals). An asset for insurance acquisition cash flows is recognised for acquisition cash flows incurred before the related group of insurance contracts has been recognised.

**Liability for incurred claims**

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.

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**5 INSURANCE CONTRACT ASSETS/LIABILITIES**

<b>31 March 2023</b>	<i>Liability for Remaining Coverage KD 000'</i>	<i>Liability for Incurred claims KD 000'</i>	<i>Total KD 000'</i>
Insurance contracts liabilities as at 1 January 2023	65,314	351,878	<b>417,192</b>
Insurance contracts assets at 1 January 2023	(9,240)	(15,784)	<b>(25,024)</b>
<b>Insurance contracts liability at beginning of period</b>	<b>56,074</b>	<b>336,094</b>	<b>392,168</b>
Insurance revenue	(157,296)	-	<b>(157,296)</b>
Incurred claims and other directly attributable expenses	(1,220)	155,250	<b>154,030</b>
Changes that relate to past service-Changes in FCF relating to LIC	-	(37,882)	<b>(37,882)</b>
Losses on onerous contracts	2,481	-	<b>2,481</b>
Insurance acquisition cash flows assets impairment	13,384	-	<b>13,384</b>
<b>Insurance service expenses</b>	<b>14,645</b>	<b>117,368</b>	<b>132,013</b>
<b>Insurance service result</b>	<b>(142,651)</b>	<b>117,368</b>	<b>(25,283)</b>
Finance expenses from insurance contracts issued	526	4,177	<b>4,703</b>
Foreign currency adjustments	(3,361)	(2,109)	<b>(5,470)</b>
Total amounts recognised in profit or loss	<b>(145,486)</b>	<b>119,436</b>	<b>(26,050)</b>
<b>Cash Flows:</b>			
Premium received	241,767	-	<b>241,767</b>
Claims and other directly attributable expenses paid	-	(128,123)	<b>(128,123)</b>
Insurance acquisition cash flows	(19,215)	-	<b>(19,215)</b>
Total cash flows	<b>222,552</b>	<b>(128,123)</b>	<b>94,429</b>
Insurance contracts liability at 31 March 2023	<b>133,140</b>	<b>327,407</b>	<b>460,547</b>
Insurance contracts liabilities at 31 March 2023	150,271	323,674	<b>473,945</b>
Insurance contracts assets at 31 March 2023	(17,131)	3,733	<b>(13,398)</b>
Insurance contracts liability at 31 March 2023	<b>133,140</b>	<b>327,407</b>	<b>460,547</b>

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

5 INSURANCE CONTRACT ASSETS/LIABILITIES (continued)

reconciliation of measurement component of insurance contract balances not measured under the PAA

31 March 2023	<i>Present Value of Future Cash Flows KD 000'</i>	<i>Risk adjustment for non-financial risk KD 000'</i>	<i>CSM KD 000'</i>	<i>Total KD 000'</i>
Insurance contracts liabilities as at 1 January 2023	8,692	52	1,633	<b>10,377</b>
Insurance contracts assets at 1 January 2023	173	1	47	<b>221</b>
<b>Insurance contracts liability at beginning of period</b>	<b>8,865</b>	<b>53</b>	<b>1,680</b>	<b>10,598</b>
<b>Changes that relate to current service:</b>				
Changes in the risk adjustment for non-financial risk for the risk expired	-	(3)	-	<b>(3)</b>
Experience adjustments-relating to insurance service expenses	131	-	-	<b>131</b>
	131	(3)	-	<b>128</b>
<b>Changes that relate to future service:</b>				
Changes in estimates that adjust the CSM	219	13	(232)	-
Changes in estimate that results in onerous contract losses or reversal of such losses	(349)	(11)	-	<b>(360)</b>
Contracts initially recognised in the period	411	-	-	<b>411</b>
Experience adjustments-arising from premiums received in the period that relate to future service	(169)	-	169	-
	112	2	(63)	<b>51</b>
Investment component	(19)	-	-	<b>(19)</b>
<b>Insurance service result</b>	<b>224</b>	<b>(1)</b>	<b>(63)</b>	<b>160</b>
Finance expenses from insurance contracts issued	349	(34)	(318)	<b>(3)</b>
<b>Total amounts recognised in profit or loss</b>	<b>573</b>	<b>(35)</b>	<b>(381)</b>	<b>157</b>
<b>Cash Flows:</b>				
Premium received	583	-	-	<b>583</b>
Claims and other directly attributable expenses paid	(905)	-	-	<b>(905)</b>
Insurance acquisition cash flows	(119)	-	-	<b>(119)</b>
Total cash flows	(441)	-	-	<b>(441)</b>
Insurance contracts liability at 31 March 2023	8,997	18	1,299	<b>10,314</b>
Insurance contracts liabilities at 31 March 2023	8,759	17	1,254	<b>10,030</b>
Insurance contracts assets at 31 March 2023	238	1	45	<b>284</b>
Insurance contracts liability at 31 March 2023	8,997	18	1,299	<b>10,314</b>

# Gulf Insurance Company K.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 5 INSURANCE CONTRACT ASSETS/LIABILITIES (continued)

31 March 2022 (restated)	<i>Liability for Remaining Coverage KD 000'</i>	<i>Liability for Incurred claims KD 000'</i>	<i>Total KD 000'</i>
Insurance contracts liabilities as at 1 January 2022	145,159	360,116	505,275
Insurance contracts assets as at 1 January 2022	(81,274)	36,334	(44,940)
Insurance contracts liability as at 1 January 2022	<u>63,885</u>	<u>396,450</u>	<u>460,335</u>
Insurance revenue	(157,811)	-	(157,811)
Incurred claims and other directly attributable expenses	(1,026)	168,675	167,649
Changes that relate to past service-Changes in FCF relating to LIC	-	(105,355)	(105,355)
Losses on onerous contracts	1,772	-	1,772
Insurance acquisition cash flows assets impairment	11,234	-	11,234
Insurance service expenses	<u>11,980</u>	<u>63,320</u>	<u>75,300</u>
Insurance service result	<u>(145,831)</u>	<u>63,320</u>	<u>(82,511)</u>
Finance income / expenses from insurance contracts	500	(1,203)	(703)
Foreign currency adjustments	(3,515)	(3,659)	(7,174)
Total amounts recognized in profit or loss	<u>(148,846)</u>	<u>58,458</u>	<u>(90,388)</u>
Cash Flows:			
Premium received	133,150	-	133,150
Claims and other directly attributable expenses paid	-	(127,268)	(127,268)
Insurance acquisition cash flows	(13,263)	-	(13,263)
Total cash flows	<u>119,887</u>	<u>(127,268)</u>	<u>(7,381)</u>
Insurance contracts liability as at 31 March 2022	<u>34,926</u>	<u>327,640</u>	<u>362,566</u>
Insurance contracts liabilities as at 31 March 2022	144,218	301,228	445,446
Insurance contracts assets as at 31 March 2022	(109,292)	26,412	(82,880)
Insurance contracts liability as at 31 March 2022	<u><u>34,926</u></u>	<u><u>327,640</u></u>	<u><u>362,566</u></u>



Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

5 INSURANCE CONTRACT ASSETS/LIABILITIES (continued)

Reconciliation of measurement component of insurance contract balances not measured under the PAA

31 March 2022	<i>Present Value of Future Cash Flows KD 000'</i>	<i>Risk adjustment for non-financial risk KD 000'</i>	<i>CSM KD 000'</i>	<i>Total KD 000'</i>
Insurance contracts liabilities as at 1 January 2022	9,922	106	807	10,835
Insurance contracts assets at 1 January 2022	3	10	70	83
Insurance contracts liability at 1 January 2022	<u>9,925</u>	<u>116</u>	<u>877</u>	<u>10,918</u>
Changes that relate to current service				
Changes in the risk adjustment for non-financial risk for the risk expired	-	(14)	-	(14)
Experience adjustments-relating to insurance service expenses	92	-	-	92
	<u>92</u>	<u>(14)</u>	<u>-</u>	<u>78</u>
Changes that relate to future service				
Changes in estimates that adjust the CSM	(295)	80	216	1
Changes in estimate that results in onerous contract losses or reversal of such losses	377	(98)	-	279
Contracts initially recognised in the period	(9)	-	9	-
Experience adjustments-arising from premiums received in the period that relate to future service	(64)	-	-	(64)
	<u>9</u>	<u>(18)</u>	<u>225</u>	<u>216</u>
Insurance service result	<u>101</u>	<u>(32)</u>	<u>225</u>	<u>294</u>
Finance expenses from insurance contracts issued	(165)	(28)	276	83
Foreign currency adjustments	-	-	64	64
Total amounts recognised in profit or loss	<u>(64)</u>	<u>(60)</u>	<u>565</u>	<u>441</u>
Cash Flows:				
Premium received	473	-	-	473
Claims and other directly attributable expenses paid	(537)	-	-	(537)
Insurance acquisition cash flows	(21)	-	-	(21)
Total cash flows	<u>(85)</u>	<u>-</u>	<u>-</u>	<u>(85)</u>
Insurance contracts liability at 31 March 2022	<u>9,776</u>	<u>56</u>	<u>1,442</u>	<u>11,274</u>
Insurance contracts liabilities at 31 March 2022	9,807	48	1,356	11,211
Insurance contracts assets at 31 March 2022	(31)	8	86	63
Insurance contracts liability at 31 March 2022	<u>9,776</u>	<u>56</u>	<u>1,442</u>	<u>11,274</u>

## Gulf Insurance Company K.S.C. and its Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

#### 6 REINSURANCE LIABILITIES (ASSETS) LIABILITIES

<b>31 March 2023</b>	<i>Reinsurance Remaining Coverage KD 000'</i>	<i>Reinsurance Incurred claims KD 000'</i>	<i>Total KD 000'</i>
Reinsurance contracts liabilities as at 1 January 2023	(27,528)	2,990	<b>(24,538)</b>
Reinsurance contracts assets as at 1 January 2023	(77,313)	271,485	<b>194,172</b>
Reinsurance contracts liability (asset) at beginning of period	<u>(104,841)</u>	<u>274,475</u>	<u><b>169,634</b></u>
Reinsurance expenses	(66,452)	-	<b>(66,452)</b>
Other Incurred directly attributable expenses	-	261	<b>261</b>
Incurred claims recovery	-	182,898	<b>182,898</b>
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	(130,989)	<b>(130,989)</b>
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	9	-	<b>9</b>
Effect of changes in risk of non-performance by issuer of reinsurance contracts held	-	304	<b>304</b>
Net (expense) income from reinsurance contracts held	<u>(66,443)</u>	<u>52,474</u>	<u><b>(13,969)</b></u>
Finance income from reinsurance contracts held	170	2,994	<b>3,164</b>
Foreign currency adjustments	1,843	3,856	<b>5,699</b>
Total amounts recognised in profit or loss	<u>(64,430)</u>	<u>59,324</u>	<u><b>(5,106)</b></u>
<b>Cash Flows:</b>			
Premiums paid net of ceding commissions and other directly attributable expenses	86,197	(261)	<b>85,936</b>
Recoveries from reinsurance	-	(63,483)	<b>(63,483)</b>
Total cash flows	<u>86,197</u>	<u>(63,744)</u>	<u><b>22,453</b></u>
Reinsurance contracts (asset) liability as at 31 March 2023	<u>(83,074)</u>	<u>270,055</u>	<u><b>186,981</b></u>
Reinsurance contracts liabilities as at 31 March 2023	(42,032)	21,281	<b>(20,751)</b>
Reinsurance contracts assets as at 31 March 2023	(41,042)	248,774	<b>207,732</b>
Reinsurance contracts liability (asset) as at 31 March 2023	<u><u>(83,074)</u></u>	<u><u>270,055</u></u>	<u><u><b>186,981</b></u></u>

Gulf Insurance Company K.S.C. and its Subsidiaries

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**6 REINSURANCE LIABILITIES (ASSETS) LIABILITIES (continued)**

Reconciliation of measurement component of reinsurance contract balances not measured under the PAA

<b>31 March 2023</b>	<i>Present Value of Future Cash Flows KD 000'</i>	<i>Risk adjustment for non-financial risk KD 000'</i>	<i>CSM KD 000'</i>	<i>Total KD 000'</i>
Reinsurance contracts liabilities held as at 1 January 2023	5	-	(26)	<b>(21)</b>
Reinsurance contracts assets held as at 1 January 2023	393	-	(102)	<b>291</b>
<b>Reinsurance contracts asset (liability) held at 1 January 2023</b>	<b>398</b>	<b>-</b>	<b>(128)</b>	<b>270</b>
<b>Changes that relate to current service</b>				
Experience adjustment-arising from premium received in the period that related to past service	(4)	-	-	<b>(4)</b>
	(4)	-	-	<b>(4)</b>
<b>Changes that relate to future service</b>				
Changes in estimates that adjust CSM	74	-	(74)	-
Contracts initially recognised in period	1	-	(1)	-
Experience adjustments – arising from ceded premiums paid in the period that relate to future service	3	-	(3)	-
	78	-	(78)	-
<b>Net income (expense) from reinsurance contracts held</b>	<b>74</b>	<b>-</b>	<b>(78)</b>	<b>(4)</b>
Finance income (expense) from reinsurance contracts held	10	-	(1)	<b>9</b>
<b>Total amounts recognised in profit or loss</b>	<b>84</b>	<b>-</b>	<b>(79)</b>	<b>5</b>
Reinsurance contracts asset (liability) held at 31 March 2023	482	-	(207)	<b>275</b>
Reinsurance contracts held liabilities at 31 March 2023	482	-	(207)	<b>275</b>
Reinsurance contracts held assets at 31 March 2023	482	-	(207)	<b>275</b>
Reinsurance contracts held liability (asset) at 31 March 2023	482	-	(207)	<b>275</b>

# Gulf Insurance Company K.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 6 REINSURANCE LIABILITIES (ASSETS) LIABILITIES (continued)

Reconciliation of measurement component of reinsurance contract balances not measured under the PAA

31 March 2022 (restated)	<i>Reinsurance Remaining Coverage KD 000'</i>	<i>Reinsurance Incurred claims KD 000'</i>	<i>Total KD 000'</i>
Reinsurance contracts liabilities as at 1 January 2022	(36,670)	24,876	(11,794)
Reinsurance contracts assets as at 1 January 2022	(48,215)	293,684	245,469
	<hr/>	<hr/>	<hr/>
Reinsurance contracts (asset) liability 1 January 2022	(84,885)	318,560	233,675
Reinsurance expenses	(76,345)	-	(76,345)
Other incurred directly attributable expenses	-	318	318
Incurred claims recovery	-	156,629	156,629
Changes that relate to past service-changes in the FCF relating to incurred claims recovery	-	(150,486)	(150,486)
Income on initial recognition of onerous underlying contracts	26	(26)	-
Reversal of a loss-recovery component other than changes in the FCF of reinsurance contracts held	4	-	4
Changes in the FCF of reinsurance contracts held from onerous underlying contracts	4	-	4
Effect of changes in risk of non-performance by issuer of reinsurance contracts held	-	(345)	(345)
	<hr/>	<hr/>	<hr/>
Net (expense) income from reinsurance contracts held	(76,311)	6,090	(70,221)
Finance income (expense) from reinsurance contracts held	14	(1,906)	(1,892)
Foreign currency adjustments	608	(2,818)	(2,210)
	<hr/>	<hr/>	<hr/>
Total amounts recognised in profit or loss	(75,689)	1,366	(74,323)
Cash Flows:			
Premiums paid net of ceding commissions and other directly attributable expenses	77,674	(302)	77,372
Recoveries from reinsurance	-	(59,395)	(59,395)
	<hr/>	<hr/>	<hr/>
Total cash flows	77,674	(59,697)	17,977
Reinsurance contracts (asset) liability as at 31 March 2022	(82,900)	260,229	177,329
	<hr/>	<hr/>	<hr/>
Reinsurance contracts liabilities as at 31 March 2022	(46,216)	11,229	(34,987)
Reinsurance contracts assets as at 31 March 2022	(36,684)	249,000	212,316
	<hr/>	<hr/>	<hr/>
Reinsurance contracts (asset) liability as at 31 March 2022	(82,900)	260,229	177,329
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

# Gulf Insurance Company K.S.C. and its Subsidiaries

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 6 REINSURANCE LIABILITIES (ASSETS) LIABILITIES (continued)

31 March 2022 (restated)	<i>Present Value of Future Cash Flows KD 000'</i>	<i>CSM KD 000'</i>	<i>Total KD 000'</i>
Reinsurance contracts liabilities held as at 1 January 2022	8	(7)	1
Reinsurance contracts assets held as at 1 January 2022	420	(8)	412
Reinsurance contracts held asset (liability) at end of period	<u>428</u>	<u>(15)</u>	<u>413</u>
Changes that relate to current service			
Experience adjustment-arising from premium received in the period that related to past service	57	-	57
	<u>57</u>	<u>-</u>	<u>57</u>
Changes that relate to future service			
Changes in estimates that adjust CSM	(68)	68	-
Contracts initially recognised in period	24	(24)	-
Experience adjustments – arising from ceded premiums paid in the period that relate to future service	(1)	1	-
	<u>(45)</u>	<u>45</u>	<u>-</u>
Net income from reinsurance contracts held	<u>12</u>	<u>45</u>	<u>57</u>
Finance (expenses) income from reinsurance contracts held	(66)	1	(65)
Total amounts recognised in profit or loss	<u>(53)</u>	<u>46</u>	<u>(7)</u>
Cash Flows:			
Premiums paid net of ceding commissions and other directly attributable expenses paid	4	-	4
Incurred claims recovered and other insurance service expenses recovered	(61)	-	(61)
Total cash flows	<u>(57)</u>	<u>-</u>	<u>(57)</u>
Reinsurance contracts held asset at 31 March 2022	<u>317</u>	<u>31</u>	<u>348</u>
Reinsurance contracts liabilities held at 31 March 2022	12	(11)	1
Reinsurance contracts assets held at 31 March 2022	305	42	347
Reinsurance contracts asset held at 31 March 2022	<u><u>317</u></u>	<u><u>31</u></u>	<u><u>348</u></u>

## Gulf Insurance Company K.S.C. and its Subsidiaries

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

#### 7 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic and diluted earnings per share are calculated by dividing profit for the period attributable to equity holders of the Parent Company by the weighted average number of ordinary shares, less treasury shares, outstanding during the period.

	<i>Three months ended</i>	
	<i>31 March</i>	
	<b>2023</b>	2022
	<b>KD 000's</b>	KD 000's
		<i>(restated)</i>
Profit attributable to equity holders of the Parent Company	<b>9,414</b>	7,030
	<b>Shares</b>	Shares
Weighted average number of shares, less treasury shares outstanding during the period	<b>283,751,062</b>	283,751,062
Basic and diluted earnings per share	<b>33.18 fils</b>	24.78 fils

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

#### 8 LONG TERM LOANS

The Parent Company has obtained two bank loans 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.

#### 9 SHARE CAPITAL AND TREASURY SHARES

##### a) Share Capital

The authorised share capital of the Parent Company comprises of 350,000,000 shares (31 December 2022: 350,000,000 shares and 31 March 2022: 350,000,000 shares) of 100 fils each. The issued and fully paid-up share capital consists of 284,572,458 shares (31 December 2022: 284,572,458 shares and 31 March 2022: 284,572,458 shares) of 100 fils each.

##### b) Treasury shares

	<b>31 March</b>	<i>(Audited)</i>	
		<b>2023</b>	31 December
		2022	2022
Number of treasury shares	<b>821,396</b>	821,396	821,396
Percentage of issued shares	<b>0.29%</b>	0.29%	0.29%
Cost (KD 000's)	<b>429</b>	429	429
Market value (KD 000's)	<b>1,165</b>	834	878

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

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

#### 10 SEGMENT INFORMATION

For the management purpose, the Group operates in two segments, general risk insurance and life and medical insurance; there are no inter-segment transactions. The following are the details of these two segments:

##### a) Segmental interim condensed consolidated statement of income:

	For the three months ended 31 March 2023					
	Non-life insurance		Life insurance		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
Insurance service result before reinsurance contracts held	16,544	74,015	8,579	8,202	25,123	82,217
Net expense from reinsurance contracts held	(9,754)	(65,816)	(4,219)	(4,348)	(13,973)	(70,164)
Net insurance and reinsurance finance expense	(994)	849	(533)	(2,186)	(1,527)	(1,337)
<b>Net insurance financial result</b>	<b>5,796</b>	<b>9,048</b>	<b>3,827</b>	<b>1,668</b>	<b>9,623</b>	<b>10,716</b>
Net investment income					10,192	5,756
Unattributable general and administrative expenses					(5,266)	(3,968)
Other expenses, net					(219)	(1,469)
Monetary loss from hyperinflation					(1,126)	(1,705)
Finance costs					(1,888)	(967)
Profit before taxation					<b>11,316</b>	<b>8,363</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

**10 SEGMENT INFORMATION (continued)**

**b) Segmental interim condensed consolidated statement of financial position:**

<b>31 March 2023</b>	<b>Non-life insurance KD 000's</b>	<b>Life insurance KD 000's</b>	<b>Others KD 000's</b>	<b>Total KD 000's</b>
Segment assets	135,725	92,717	796,132	1,024,574
Segment liabilities	290,891	221,156	182,477	694,524
 31 December 2022	 Non-life insurance KD 000's	 Life insurance KD 000's	 Others KD 000's	 Total KD 000's
Segment assets	104,321	129,172	728,623	962,116
Segment liabilities	245,713	209,360	181,472	636,545
 31 March 2022	 Non-life insurance KD 000's	 Life insurance KD 000's	 Others KD 000's	 Total KD 000's
Segment assets	149,104	146,376	715,865	1,011,345
Segment liabilities	312,305	179,338	219,087	710,730



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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

### 11 RELATED PARTY DISCLOSURES

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 interim condensed consolidated statement of income are as follows:

	<i>Three months ended</i> <b>31 March 2023</b>		<i>Three months ended</i> <b>31 March 2022</b>	
	<i>Insurance</i> <i>revenue</i> <i>KD 000's</i>	<i>Insurance</i> <i>service expenses</i> <i>KD 000's</i>	<i>Insurance</i> <i>revenue</i> <i>KD 000's</i>	<i>Insurance</i> <i>service expenses</i> <i>KD 000's</i>
Directors and key management personnel	142	7	165	3
Other related parties	2,591	51	2,688	52
	<u>2,733</u>	<u>58</u>	<u>2,853</u>	<u>55</u>

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

	<b>31 March 2023</b>		<i>(Audited)</i> <b>31 December 2022 (restated)</b>		<b>31 March 2022 (restated)</b>	
	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD 000's</i>	<i>Amounts owed</i> <i>to related</i> <i>Parties</i> <i>KD 000's</i>	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD 000's</i>	<i>Amounts owed</i> <i>to related</i> <i>parties</i> <i>KD 000's</i>	<i>Amounts owed</i> <i>by related</i> <i>parties</i> <i>KD 000's</i>	<i>Amounts owed</i> <i>to related</i> <i>parties</i> <i>KD 000's</i>
Directors and key management personnel	512	7	441	9	386	10
Other related parties	2,874	1,278	1,938	595	3,385	239
	<u>3,386</u>	<u>1,285</u>	<u>2,379</u>	<u>604</u>	<u>3,771</u>	<u>249</u>

The Group holds certain deposits and call accounts with a related party financial institution amounting to KD 47,137 thousand (31 December 2022: KD 19,916 thousand and 31 March 2022: KD 9,396 thousand). The Group also holds bonds issued by Kuwait Projects Company Holding Company K.S.C and other related entity amounting to KD 6,534 thousand (31 December 2022: KD 6,530 thousand and 31 March 2022: KD 1,519 thousand). The Group has signed a credit facilities contract with a related local bank (Burgan Bank) for a total amount of KD 133,000 thousand consisting of cash and non-cash facilities, and an amount of US \$20,000 thousand as a revolving loan in addition to an amount of KD 6,000 thousand for immediate and forward foreign currency exchange limit. The following facilities have been utilized with Burgan bank:

	<b>31 March 2023</b> <i>KD 000's</i>	<b>31 Dec 2022</b> <i>KD 000's</i>	<b>31 March 2022</b> <i>KD 000's</i>
Letter of guarantee	51,979	51,947	35,909
Bank overdraft	-	-	9,372
	<u>51,979</u>	<u>51,947</u>	<u>45,281</u>

Compensation of key management personnel is as follows:

	<i>Three months ended</i> <b>31 March</b>	
	<b>2023</b> <i>KD 000's</i>	<b>2022</b> <i>KD 000's</i>
Salaries and other short-term benefits	244	165
Employees' end of service benefits	150	101
	<u>394</u>	<u>266</u>

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

#### 12 CONTINGENT LIABILITIES

As at 31 March 2023, the Group was contingently liable in respect of letters of guarantees and other guarantees amounting to KD 106,954 thousand (31 December 2022: KD 102,048 thousand and 31 March 2022: KD 65,224 thousand).

#### 13 FAIR VALUE MEASUREMENT

Financial instruments comprise of financial assets and financial liabilities.

Financial assets consist of investments held to maturity, debt securities (loans), investments available for sale, investments carried at fair value through profit or loss, loans secured by life insurance policies, premiums and insurance balances receivable, reinsurance on outstanding claims, time deposits, bank balances and short-term deposits. Financial liabilities consist of bank overdrafts, insurance payable and certain other liabilities.

The fair values of financial instruments, with the exception of certain available for sale investments carried at cost, are not materially different from their carrying values. The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments by valuation technique:

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: other techniques which use inputs which have a significant effect on the recorded fair value are not based on observable market data.

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

	<i>Fair value measurement using</i>			<b>Total</b> <i>KD 000's</i>
	<b>Level 1</b> <i>KD 000's</i>	<b>Level 2</b> <i>KD 000's</i>	<b>Level 3</b> <i>KD 000's</i>	
<b>31 March 2023</b>				
<b>Investments at FVOCI:</b>				
Quoted equity securities	14,914	-	-	14,914
Unquoted equity securities	-	207	5,921	6,128
Quoted bonds	138,617	-	-	138,617
Unquoted bonds	-	1,994	-	1,994
<b>Investments carried at fair value through profit or loss:</b>				
Quoted securities	15,747	-	-	15,747
Unquoted equity securities	-	763	354	1,117
Quoted managed funds	31,068	-	-	31,068
Unquoted managed funds	-	1,782	5,258	7,040
Quoted bonds	9,253	-	-	9,253
Unquoted bonds	-	11,934	-	11,934
<b>Property and equipment</b>				
Land	-	16,058	-	16,058
Buildings	-	21,934	-	21,934
<b>Investment properties</b>				
	-	9,970	-	9,970
<b>Total</b>	<b>209,599</b>	<b>64,642</b>	<b>11,533</b>	<b>285,774</b>

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

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

#### 13 FAIR VALUE MEASUREMENT (continued)

	<i>Fair value measurement using</i>			Total KD 000's
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	
<i>31 December 2022 (Audited) (restated)</i>				
Investments available for sale				
Quoted equity securities	28,033	-	-	28,033
Unquoted equity securities	-	685	8,090	8,775
Quoted managed funds	2,867	-	-	2,867
Quoted bonds	138,875	-	-	138,875
Unquoted managed funds	-	-	84	84
<i>Investments carried at fair value through profit or loss:</i>				
Quoted securities	7,328	-	-	7,328
Managed funds of quoted securities	46,130	-	-	46,130
<i>Property and equipment</i>				
Land	-	17,172	-	17,172
Buildings	-	23,302	-	23,302
<i>Investment properties</i>				
	-	9,300	-	9,300
<b>Total</b>	<b>223,233</b>	<b>50,459</b>	<b>8,174</b>	<b>281,866</b>
<i>Fair value measurement using</i>				
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
<i>31 March 2022 (restated)</i>				
Investments available for sale				
Quoted equity securities	24,885	-	-	24,885
Unquoted equity securities	-	17	8,301	8,318
Quoted managed funds	3,742	-	-	3,742
Quoted bonds	134,127	-	-	134,127
Unquoted managed funds	-	559	79	638
<i>Investments carried at fair value through profit or loss:</i>				
Quoted securities	10,538	-	-	10,538
Managed funds of quoted securities	38,868	-	-	38,868
<i>Property and equipment</i>				
Land	-	17,030	-	17,030
Buildings	-	21,539	-	21,539
<i>Investment properties</i>				
	-	9,937	-	9,937
<b>Total</b>	<b>212,160</b>	<b>49,082</b>	<b>8,380</b>	<b>269,622</b>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

13 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.

	<i>As at 1 January 2023 KD 000's</i>	<i>Transferred on transition of IFRS 9 KD 000's</i>	<i>change recorded in the interim condensed consolidated statement of comprehensive income KD 000's</i>	<i>Net purchases and disposals KD 000's</i>	<i>As at 31 March 2023 KD 000's</i>
<b>Investments at FVOCI:</b>					
Unquoted equity securities	-	8,090	(2,169)	-	5,921
<b>Investments at FVTPL</b>					
Unquoted equity securities	-	354	-	-	354
Unquoted managed funds	-	263	(5)	5,000	5,258
	<u>-</u>	<u>8,707</u>	<u>(2,174)</u>	<u>5,000</u>	<u>11,533</u>
	<i>At 1 January 2022 KD 000's</i>	<i>At 1 January 2022 KD 000's</i>	<i>Loss recorded in the consolidated statement of comprehensive income KD 000's</i>	<i>Net purchases and disposals KD 000's</i>	<i>At 31 December 2022 KD 000's</i>
<b>Financial assets at FVOCI:</b>					
Unquoted equity securities	8,224	8,224	(12)	(122)	8,090
Unquoted managed funds	107	107	(23)	-	84
	<u>8,331</u>	<u>8,331</u>	<u>(35)</u>	<u>(122)</u>	<u>8,174</u>
	<i>As at 1 January 2022 KD 000's</i>	<i>As at 1 January 2022 KD 000's</i>	<i>Gain recorded in the interim condensed consolidated statement of comprehensive income KD 000's</i>	<i>Net purchases and disposals KD 000's</i>	<i>As at 31 March 2022 KD 000's</i>
<b>Investments available for sale</b>					
Unquoted equity securities	8,224	8,224	90	(13)	8,301
Unquoted managed funds	107	107	(28)	-	79
	<u>8,331</u>	<u>8,331</u>	<u>62</u>	<u>(13)</u>	<u>8,379</u>

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