

**CEDAR INSURANCE & REINSURANCE
COMPANY LTD.**

**Report and consolidated financial statements
for the year ended 31 December 2022**

CEDAR INSURANCE & REINSURANCE COMPANY LTD.

Report and consolidated financial statements for the year ended 31 December 2022

	Page
Independent auditor's report	1 - 4
Consolidated statement of financial position	5
Consolidated statement of profit or loss	6
Consolidated statement of comprehensive income	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10 - 87



Independent auditor's report to the shareholders of Cedar Insurance & Reinsurance Company Ltd.

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the effects of the matters described in the '*Bases for qualified opinion*' section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cedar Insurance & Reinsurance Company Ltd. ("the Company") and its subsidiaries (together the "Group") as at 31 December 2022, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Bases for qualified opinion

(i) Measurement and disclosures of 'Amounts due from banks'

As disclosed in note 10(b), at 31 December 2022, amounts due from Lebanese commercial banks amounted to US\$ 6.13 million (2021 – US\$ 3.24 million) net of an impairment provision of US\$ 0.99 million (2021 – US\$ 1.31 million).

(a) Management did not perform a sufficiently detailed impairment assessment that takes into consideration the impact of the financial crisis in Lebanon on the banking sector in Lebanon (refer to note 1.1.1) to determine the recoverable amount of 'amounts due from banks' on the basis of the net present value of their estimated future cash flows, as required by IAS 39 'Financial Instruments: Recognition and Measurement'.

(b) In addition, management has also not included the disclosures required by IFRS 7, in particular with respect to inputs, assumptions, judgements, sensitivity and the overall qualitative disclosures for managing credit risk.

In the absence of a sufficiently detailed impairment assessment, we were unable to satisfy ourselves, through alternative audit procedures, as to the appropriateness of the 'amounts due from banks' and any adjustments that may have been required to the disclosures required under IFRS 7.

Independent auditor's report to the shareholders of Cedar Insurance & Reinsurance Company Ltd. (continued)

Bases for qualified opinion (continued)

(ii) Recognition of exchange differences

As a result of the current economic crisis in Lebanon described in note 1.1.1 and as explained in note 33, during the year, the Company sold "unrestricted" US Dollars for Lebanese Pounds in the foreign exchange market at exchange rates that are significantly in excess of the official rate. This gave rise to an exchange gain recorded within 'net foreign exchange gain (loss)' in the consolidated statement of comprehensive income of US\$ 3.36 million (2021 – loss of US\$ 0.83 million).

We were not able to obtain sufficient appropriate audit evidence to support the completeness and accuracy of the exchange differences arising from these transactions. Accordingly, we were not able to satisfy ourselves as to the accuracy and completeness of the exchange differences and whether any adjustments to the consolidated statements of financial position, profit or loss, comprehensive income, changes in equity and cash flows as at and for the year ended 31 December 2022 were necessary.

(iii) IAS 8 disclosures for the application of IFRS 17 and IFRS 9

As stated in note 2.1.2(b), IFRS 17, 'Insurance Contracts' ("IFRS 17") is effective for annual periods beginning on or after 1 January 2023. In addition, the Company will also apply IFRS 9 'Financial Instruments' ("IFRS 9") for the first time at the same time as they first apply IFRS 17.

IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors' requires insurance companies to disclose, in the financial statements for the year ended 31 December 2022, the known or reasonably estimable information relevant to assessing the possible impact that the applications of IFRS 17 and IFRS 9 will have on the consolidated financial statements in the period of initial application.

Since the consolidated financial statements do not include sufficient qualitative and transition disclosures related to IFRS 17 and IFRS 9, including inter alia (i) a description of the changes in accounting policies which will take effect, (ii) the accounting policy choices that will be made, (iii) the date as at which its plans to apply the IFRS initially, (iv) the key judgements and estimates that are expected to be made, as well as (v) information on the transition approach expected to be taken under IFRS 17, this represents a material omission of information that should have been disclosed according to the requirements of IAS 8.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the '*Auditor's responsibilities for the audit of the consolidated financial statements*' section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of these consolidated financial statements in Lebanon. We have fulfilled our other ethical responsibilities in accordance with IESBA Code and the ethical requirements in Lebanon.

Independent auditor's report to the shareholders of Cedar Insurance & Reinsurance Company Ltd. (continued)

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the shareholders of Cedar Insurance & Reinsurance Company Ltd. (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

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

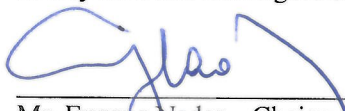
PricewaterhouseCoopers

PricewaterhouseCoopers
Beirut, Lebanon
28 July 2023

**Consolidated statement of financial position
at 31 December 2022**

	Notes	2022 US\$	2021 US\$
Assets			
Property and equipment	5	6,630,436	6,664,963
Investment properties	6	1,318,398	1,318,398
Intangible assets		49,403	110,742
Right-of-use assets	32	1,250,638	1,065,180
Deferred acquisition costs	22	7,506,435	4,034,052
Financial investments:			
- At fair value through profit or loss	8.3(a)	25,397,898	31,602,125
- Held to maturity	8.3(b)	507,067	998,608
- Available for sale	8.3(c)	1,589,337	1,276,049
Loans and receivables:			
- Amounts due from banks	10(a)	6,128,181	3,243,079
- Insurance and other receivables	9	73,540,503	64,614,298
- Other bank balances (unit-linked contracts)	10(b)	5,579,873	2,085,172
Reinsurance assets	14	57,400,174	112,647,593
Cash and cash equivalents	11	41,807,169	21,466,776
Total assets		228,705,512	251,127,035
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	12	16,000,000	16,000,000
Non-distributable reserve	13(a)	131,948	1,902,222
Translation reserve	13(b)	1,229,730	(5,906,523)
Retained earnings		27,637,123	49,560,661
		44,998,801	61,556,360
Non-controlling interest		2,445,718	5,965,942
Total equity		47,444,519	67,522,302
Liabilities			
Insurance liabilities	14	143,704,053	161,585,005
Accounts payable	15	33,049,373	21,209,596
Unearned reinsurance commissions	20	598,064	320,002
Lease liabilities	32	72,161	115,694
Retirement benefit obligations	16	2,391,018	148,963
Current income tax liability	26	1,420,479	182,208
Deferred tax liability		25,845	43,265
Total liabilities		181,260,993	183,604,733
Total equity and liabilities		228,705,512	251,127,035

The consolidated financial statements on pages 5 to 87 were authorised for issue by the Directors on 28 July 2023 and were signed on their behalf by:


Mr. Eugene Nader – Chairman

The notes on pages 9 to 87 are an integral part of these consolidated financial statements.

**Consolidated statement of profit or loss
for the year ended 31 December 2022**

	Notes	2022 US\$	2021 US\$
Insurance premium revenue	17	79,128,918	47,745,186
Insurance premium ceded to reinsurers	17	(21,230,716)	(13,541,162)
Net insurance premium revenue	17	57,898,202	34,204,024
Interest income from bank deposits		341,232	387,359
Interest income on debt securities		116,693	353,333
Other investment income	18	1,109,648	494,867
Impairment loss on financial assets held at amortised cost	10(a)	(213,412)	(167,210)
Impairment loss on equity securities	8.3(d)	-	(309,555)
Fair value gain on financial assets at fair value through profit or loss	19	3,526,349	2,149,802
Commission and profit participation income	20	1,946,916	1,629,925
Net exchange gains	33	15,670,601	8,348,697
Net income		80,396,229	47,091,242
Insurance benefits	21	(454,378)	(2,767,893)
Insurance claims and loss adjustment expenses	21	(37,841,019)	(25,163,879)
Insurance claims and loss adjustment expenses recovered from reinsurers	21	1,717,974	26,787,482
Net insurance benefits and claims		(36,577,423)	(1,144,290)
Expenses for acquisition of insurance contracts	22	(18,012,450)	(10,440,651)
Administrative and other expenses	24	(11,237,054)	(4,198,534)
Impairment loss on properties	5,6	-	(7,407,581)
Total expenses		(65,826,927)	(23,191,056)
Operating profit		14,569,302	23,900,186
Net finance expense		(122,800)	(42,241)
Net monetary loss	2.1.2	(33,414,844)	(11,174,059)
(Loss) profit before income tax		(18,968,342)	12,683,886
Income tax expense	26	(1,420,480)	(182,780)
Withholding taxes	23	(525,000)	(525,000)
(Loss) profit for the year		(20,913,822)	11,976,106
Attributable to:			
- Owners of the parent		(18,391,625)	10,479,093
- Non-controlling interest		(2,522,197)	1,497,013
		(20,913,822)	11,976,106

The notes on pages 9 to 87 are an integral part of these consolidated financial statements.

**Consolidated statement of comprehensive income
for the year ended 31 December 2022**

	2022	2021
	US\$	US\$
(Loss) profit for the year	(20,913,822)	11,976,106
Other comprehensive loss		
<i>Items that will not be reclassified to profit or loss</i>		
Inflation restatement differences (notes 2.1.2)	13,486,077	60,233,901
Foreign exchange differences on translation of foreign operations	(4,516,025)	(96,385,744)
	<u>8,970,052</u>	<u>(36,151,843)</u>
Total comprehensive loss for the year	<u>(11,943,770)</u>	<u>(24,175,737)</u>
Attributable to:		
- Owners of the parent	(10,450,799)	(21,087,638)
- Non-controlling interest	(1,492,971)	(3,088,099)
	<u>(11,943,770)</u>	<u>(24,175,737)</u>

**Consolidated statement of changes in equity
for the year ended 31 December 2022**

	Attributable to owners of the parent					
	Share capital US\$	Non distributable reserve US\$	Translation reserve US\$	Retained earnings US\$	Non controlling interest US\$	Total equity US\$
Balance at 1 January 2021	16,000,000	14,993,735	21,264,019	35,386,244	9,804,041	97,448,039
Profit for the year	-	-	-	10,479,093	1,497,013	11,976,106
<i>Other comprehensive loss</i>						
Inflation restatement differences (note 2.1.2)	-	(8,612,061)	(3,345,286)	63,167,342	9,023,906	60,233,901
Foreign currency translation reserve (note 2.3)	-	(4,479,452)	(23,825,256)	(54,472,018)	(13,609,018)	(96,385,744)
Total comprehensive loss for the year	-	(13,091,513)	(27,170,542)	19,174,417	(3,088,099)	(24,175,737)
<i>Transactions with owners</i>						
- Dividends declared (note 27)	-	-	-	(5,000,000)	(750,000)	(5,750,000)
Balance at 31 December 2021	16,000,000	1,902,222	(5,906,523)	49,560,661	5,965,942	67,522,302
Loss for the year	-	-	-	(18,299,594)	(2,614,228)	(20,913,822)
<i>Other comprehensive loss</i>						
Inflation restatement differences (note 2.1.2)	-	(1,681,340)	(1,946,724)	14,974,873	2,139,268	13,486,077
Foreign currency translation reserve (note 2.3)	-	(88,934)	9,082,977	(11,098,817)	(2,411,251)	(4,516,025)
Total comprehensive loss for the year	-	(1,770,274)	7,136,253	(14,423,538)	(2,886,211)	(11,943,770)
<i>Transactions with owners</i>						
- Dividends declared (note 27)	-	-	-	(7,500,000)	(634,013)	(8,134,013)
Balance at 31 December 2022	16,000,000	131,948	1,229,730	27,637,123	2,445,718	47,444,519

The notes on pages 9 to 87 are an integral part of these consolidated financial statements.

**Consolidated statement of cash flows
for the year ended 31 December 2022**

	Notes	2022 US\$	2021 US\$
Cash flows from operating activities			
Cash generated from generated from operations	28	45,980,897	34,919,503
Interest received		1,142,220	1,142,220
Interest paid on lease liabilities		(12,655)	(28,159)
Income tax paid	26	(108,405)	(146,543)
Withholding tax paid		(525,000)	(525,000)
Inflation effect on non-operating activities		(7,956,175)	(17,402,474)
Net cash generated from operating activities		<u>38,520,882</u>	<u>17,959,547</u>
Cash flows from investing activities			
Proceeds from sale / purchase of intangible assets		12,874	(2,458)
Purchase of property and equipment	5	(48,914)	(13,458)
Net cash used in investing activities		<u>(36,040)</u>	<u>(15,916)</u>
Cash flows from financing activities			
Dividends paid	27	(8,134,013)	(5,750,000)
Principal element of lease payments		-	(26,952)
Net cash used in financing activities		<u>(8,134,013)</u>	<u>(5,776,952)</u>
Net increase in cash and cash equivalents		30,350,829	12,166,679
Cash and cash equivalents at beginning of year	11	21,466,776	64,553,932
Effects of exchange difference		(4,450,667)	(45,957,030)
Inflation effect on cash		(5,559,769)	(9,296,805)
Cash and cash equivalents at end of year	11	<u><u>41,807,169</u></u>	<u><u>21,466,776</u></u>

**Notes to the consolidated financial statements
for the year ended 31 December 2022****1 General information**

Cedar Insurance & Reinsurance Company Ltd. ("the Company") and its subsidiaries (together "the Group"), underwrite life and non-life insurance and reinsurance risks such as those associated with death, disability, health, property and liability.

The reinsurance operations of the Group cover Europe, North Africa and the Middle East. As for the Group's insurance operations, they only cover Lebanon.

Pursuant to section 4 of the Bermuda Insurance Act 1978 ("the Act"), the Bermuda Monetary Authority has duly registered the Company as a class 3A insurer (effective 1 January 2010).

The Company is a limited liability company, incorporated under the laws of Bermuda. The address of the registered office is Clarendon House, 2 Church Street, Hamilton, Bermuda.

The Group is controlled by Nasco Insurance Group Limited (Bermuda), which owns 100% of its shares. The ultimate parent is Nasco Ultimate Holding Limited (Bermuda) and the ultimate controlling party is Mr. Eugene Nader.

The Company's subsidiaries are listed in note 31.

These consolidated financial statements have been authorised on 28 July 2023.

1.1 Significant changes in the current year

As explained to notes 4.2.2 (iv) and 31, the Group has three subsidiaries in Lebanon, a country that is undergoing a severe economic and financial crisis. The crisis, which started in October 2019, has led to the emergence of several exchange rates for the US Dollar which were at a significant premium to the official rate.

In May 2021, the Central Bank of Lebanon ('the BDL') launched a new foreign exchange platform, namely the Sayrafa platform, where unrestricted US Dollars can be sold or purchased at a rate determined by the BDL. The Sayrafa rate was set at LL 12,000 to the US Dollar upon the launching of the platform and had reached LL 22,700 at 31 December 2021 and LL 38,000 at 31 December 2022.

As explained in note 2.3 (d), the Group translated the results of its subsidiaries at the closing Sayrafa rate which resulted in lower earnings consolidated from its subsidiaries, a reduction in net assets consolidated which resulted in a significant impact on the comparability of balances and transactions reported in the consolidated financial statements for the year ended 31 December 2022. For the exchange rates, refer to note 4.2.1 (c)) and for the significant judgements made in the consolidated financial statements in relation to foreign currency, refer to note 3.2.3.

1.2 COVID 19

The Company's actuary continues to review the potential impact of COVID-19 outbreak on the technical provisions and believes that the current technical provisions, including the reserve for claims incurred but not reported, are sufficient to cover COVID 19 medical claims incurred as at 31 December 2022. During 2022, the COVID 19 claims which required hospitalisation amounted to US\$ 165 thousand. Management will continue to monitor the situation and make the necessary updates to its judgments and estimations as may be required and depending on the development of the situation.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention adjusted for the effect of inflation of its subsidiaries which operate in hyperinflationary economies, and as modified by the revaluation of buildings, investment properties, financial assets at fair value through profit or loss, and the measurement of insurance contract liabilities as disclosed in note 4.

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, insurance and other receivables, accounts payable and income tax liabilities. The following balances would generally be classified as non-current: property and equipment, investment properties, intangible assets and deferred tax liabilities. The following balances are of mixed nature (including both current and non-current portions): financial investments, right of use assets, reinsurance assets, deferred acquisition costs, amounts due from banks, other bank balances, insurance liabilities, retirement benefit obligations, lease liabilities and unearned reinsurance commission.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

2.1.1 Changes in accounting policy and disclosures

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

The Company has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2022:

Title	Key requirements	Effective Date
<i>Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16</i>	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.	1 January 2022
Reference to the Conceptual Framework – Amendments to IFRS 3	Minor amendments were made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.	1 January 2022

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.1 Basis of preparation (continued)****2.1.1 Changes in accounting policy and disclosures (continued)***(a) New standards, amendments and interpretations adopted by the Group (continued)*

Title	Key requirements	Effective Date
Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018–2020	The following improvements were finalised in May 2020: <ul style="list-style-type: none"> IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives. IFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption. IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. 	1 January 2022

There was no material impact on the consolidated financial statements of the Company from the adoption of the above new standards on 1 January 2022.

(b) New standards, amendments and interpretations not yet adopted

The following new standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Company:

Title	Key requirements	Effective Date
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is ‘material accounting policy information’ and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.1 Basis of preparation (continued)****2.1.1 Changes in accounting policy and disclosures (continued)***(b) New standards, amendments and interpretations not yet adopted (continued)*

Title	Key requirements	Effective Date
Classification of Liabilities as Current or Non-current – Amendments to IAS 1	<p>The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.</p> <p>The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.</p> <p>They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>** Since approving these amendments, the IASB has issued an exposure draft proposing further changes and the deferral of the amendments until at least 1 January 2024.</p>	1 January 2023 (deferred from 1 January 2022) **
Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28	<p>The IASB has made limited scope amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures.</p> <p>The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. They confirm that the accounting treatment depends on whether the nonmonetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations).</p> <p>Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture. The amendments apply prospectively.</p> <p>** In December 2015, the IASB decided to defer the application date of this amendment until such time as the IASB has finalised its research project on the equity method.</p>	n/a **
Definition of Accounting Estimates – Amendments to IAS 8	The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.	

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted (continued)

Title	Key requirements	Effective Date
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (continued)	<p>The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:</p> <ul style="list-style-type: none"> • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. <p>The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.</p> <p>IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</p>	
IFRS 17 Insurance Contracts	<p>IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are remeasured in each reporting period. Contracts are measured using the building blocks of:</p> <ul style="list-style-type: none"> • discounted probability-weighted cash flows • an explicit risk adjustment, and • a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period. <p>The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.</p> <p>An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.</p> <p>There is a modification of the general measurement model called the ‘variable fee approach’ for certain contracts written by life insurers where policyholders share in the returns from underlying items.</p> <p>When applying the variable fee approach, the entity’s share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.</p> <p>The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.</p> <p>Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.</p> <p>Further amendments made in December 2021 added a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17. The classification overlay applies to all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. It allows those assets to be classified in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. The classification can be applied on an instrument-by-instrument basis.</p>	1 January 2023 (deferred from 1 January 2021)

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(b) New standards, amendments and interpretations not yet adopted (continued)

Title	Key requirements	Effective Date
IFRS 9, 'Financial instruments'	<p>The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.</p> <p>There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.</p> <p>Management of the Company took the decision to defer the application of IFRS 9 until the effective date of the new insurance contracts standard "IFRS 17" by applying the temporary exemption from applying IFRS 9 as introduced by the Amendments to IFRS 4.</p>	1 January 2023 (deferred from 1 January 2018)

Management is in the process of assessing the impact of the above new standards, interpretations and amendments and anticipates that they will be adopted in the Company's consolidated financial statements as and when they are applicable.

Management expects that the adoption of IFRS 17 will have an impact on the amounts reported and disclosures made in the consolidated financial statements in respect of insurance contracts and reinsurance contracts held. However, management is not yet in a position to reliably quantify the effect of IFRS 17 on the consolidated financial statements. However, due to the short-term nature of the majority of the non-life contracts, the PAA model will be applied for the measurement of the liability for remaining coverage with limited expected changes. For the life line of business, a combination of VFA and General model approach are expected to be applied. The Company is in the process of performing an analysis of its systems, methodologies and processes to confirm that they are capable of producing data at the appropriate level of granularity to ensure compliance with the requirements of IFRS 17 utilizing a third-party reporting system. These new systems, methodologies and processes will be subject to rigorous dry run and parallel run testing throughout 2023. Management will also apply IFRS 9 for the first time at the same time as they first apply IFRS 17.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on 1 January 2022 that would be expected to have a material impact on the consolidated financial statements of the Company.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Hyperinflation

The Lebanese economy has been classified as hyperinflationary during 2020. To determine the existence of a highly inflationary economy under IAS 29, 'Financial reporting in hyperinflationary economies', there are a series of factors to consider, including a cumulative inflation rate over three years that is close to or exceeds 100%. It has been noted that the three-year accumulated inflation rate as of 31 December 2021 in Lebanon exceeded 170%. In addition, the macroeconomic events that have taken place in the country during the year would indicate that the qualitative factors mentioned in the IAS 29 standard for a hyper inflationary economy apply to Lebanon. Hence the requirement to restate the financial statements to take account of inflation in accordance with IAS 29 'Financial reporting in hyperinflationary economies'.

The financial statements (including comparative amounts) of the Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period. Accordingly, the results, cash flows and financial position of the Group's subsidiaries (Bankers Assurance S.A.L., Bankers Life S.A.L. and Insurance Brokers Network S.A.R.L.) have been expressed in terms of the measuring unit current at the reporting date.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts in the consolidated financial statements are not adjusted for changes in the price level in the current year. Differences between comparative amounts and current year inflation adjusted balances were recognised directly in equity on the initial application of IAS 29 (31 December 2020). In subsequent periods, these differences are included within "inflation restatement difference" in other comprehensive income.

At the beginning of the first period of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. If on initial application of hyperinflation accounting, the restated value of the non-monetary assets exceed their recoverable amount, the amount in excess of the recoverable amount is recorded as a reduction in retained earnings. At the end of the first period and in subsequent periods, all components of equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting period. On initial application of hyperinflation, prior period gains and losses are recognised directly in equity. An impairment loss is recognised in profit or loss if the restated amount of a non-monetary item exceeds its estimated recoverable amount.

All items recognised in the consolidated statement of income are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position are recognised in profit or loss.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

2.1.2 Hyperinflation (continued)

All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

Group subsidiaries applying IAS 29 'Financial reporting in hyperinflationary economies' have used the national Consumer Price Index (CPI) as published by the Central Administration of Statistics (CAS) to restate balances and transactions.

The conversion factors used to restate the financial statements at 31 December 2022 are as follows:

	Index	Conversion factor
31 December 2022	2,045.46	1.00
31 December 2021	921.40	2.22
Average 31 December 2022	1,401.65	1.55
Average 31 December 2021	516.82	4.54

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.2 Consolidation (continued)***(a) Subsidiaries (continued)*

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

The group has elected to account for its investments in subsidiaries and associates under the cost method.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.3 Foreign currency translation***(a) Functional and presentation currency*

Items included in the consolidated financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in United States Dollars (US\$), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'net foreign exchange gains'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security.

Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in 'other comprehensive income'.

Translation differences on non-monetary financial assets, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or losses. Translation differences on non-monetary financial assets, such as equity classified as available for sale financial assets, are included in 'Other comprehensive income'.

Refer to note 3.2.3 for the judgements made by management related to foreign currency translation.

(c) Hyperinflation

When the functional currency of a subsidiary is the currency of a hyperinflationary economy, the financial statements of the subsidiaries are restated into the measuring unit current at the end of the reporting period.

Refer to note 2.1.2 for the hyperinflation accounting policies applied by the Group.

(d) Group companies

The results and financial position of the Group's foreign operations whose functional currency is the currency of a hyperinflationary economy shall be translated into the Group's presentation currency using the following procedures:

- (a) all amounts (ie assets, liabilities, equity items, income and expenses, including comparatives) shall be translated at the closing rate at the date of the most recent consolidated statement of financial position, except that
- (b) when amounts are translated into the currency of a non-hyperinflationary economy (US Dollars), comparative amounts shall be those that were presented as current year amounts in the relevant prior year consolidated financial statements (ie not adjusted for (i) subsequent changes in the price level or (ii) subsequent changes in exchange rates).

The exchange rates relevant to the Group are disclosed in note 4.2.1 (c).

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.4 Property and equipment**

Buildings comprise mainly the Group's offices. Buildings are shown at fair value based on valuations by external independent valuation experts, less subsequent depreciation for buildings and impairment, if any. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property and equipment are stated at historical cost less depreciation and any identified impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings, are credited to other comprehensive income and shown as revaluation reserve (net of deferred income tax) in shareholder's equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserve directly in equity; all other decreases are charged to the consolidated statement of comprehensive income. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to the consolidated statement of comprehensive income.

Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Buildings	50
Leasehold improvements	17
Office and computer equipment	5 - 13
Furniture	13
Motor vehicles	10

The asset's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. Subsequent expenditures are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the consolidated statement of comprehensive income within 'Administrative and other expenses'. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.5 Intangible assets**

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software less accumulated amortisation and identified impairment losses, if any. These costs are amortised on a straight-line basis over their estimated useful lives (three to five years). The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

2.6 Investment properties

Property held for long-term rental yields that is not occupied by the Group is classified as investment property.

Investment properties comprise land and buildings and are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices on less active markets. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes.

If an item of property and equipment becomes an investment property because its use has changed, any difference arising between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the consolidated statement of comprehensive income. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the consolidated statement of comprehensive income.

2.7 Financial assets**2.7.1 Classification**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale financial assets, held to maturity financial assets, and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception.

A financial asset is classified into the 'financial assets at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.7 Financial assets (continued)****2.7.1 Classification (continued)***(a) Financial assets at fair value through profit or loss (continued)*

Financial assets designated at fair value through profit or loss at inception are those that are:

- Held in internal funds to match insurance and investment contracts liabilities that are linked to the changes in fair value of these assets. The designation of these assets to be at fair value through profit or loss eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; and
- Managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel. The Group's investment strategy is to invest in mutual funds and equity securities and to evaluate them with reference to their fair values. Assets that are part of these portfolios are designated upon initial recognition at fair value through profit or loss.

(b) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

(c) Held to maturity financial assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity, these do not include:

- (i) Those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
- (ii) Those that the Group upon initial recognition designates as available for sale; or
- (iii) Those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Interest on held to maturity investments is included in the consolidated statement of comprehensive income. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in the consolidated statement of comprehensive income. Held to maturity investments are corporate bonds.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.7 Financial assets (continued)****2.7.1 Classification (continued)***(d) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group intends to sell immediately or in the short term, which are classified as at fair value through profit or loss or available for sale. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of receivables.

In the context of IFRS 9 implementation, the Group has determined that it is eligible for the temporary exemption option, introduced by the amendment to IFRS 4 Insurance contracts, until the earlier of annual reporting periods beginning on or after 1 January 2023. During this deferral period, additional disclosures related to Solely Payments of Principal and Interest (SPPI) criterion and to credit risk exposure are required. To determine the appropriate classification of financial assets under IFRS 9, an entity would need to assess the contractual cash flows characteristics of any financial asset.

The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding i.e. cash flows that are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

The Group's financial assets ('receivables including related parties and insurance receivables', 'available for sale', 'held-to-maturity', 'amounts due from banks' and 'cash and cash equivalents') pass the SPPI test. The Group's exposure to credit risk is disclosed in note 4.2.2.

2.7.2 Recognition and measurement

Regular-way purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, in the case of all financial assets not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Available for sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are carried at amortised cost using the effective interest method.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.7 Financial assets (continued)****2.7.2 Recognition and measurement (continued)**

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'Net fair value gains on financial assets' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of 'Investment income' when the Group's right to receive payments is established. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities as available for sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in the consolidated income statement as net gains on financial assets.

Interest on available for sale securities calculated using the effective interest method is recognised in the consolidated statement of comprehensive income. Refer to note 2.9 for the Group's accounting policies relating to the impairment of financial assets.

2.7.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole, the Group ranks fair value measurements based on the type of inputs, as follows:

- Level 1 The fair value of financial instruments traded in active markets (such as publicly traded equities, bonds derivatives) is based on quoted market prices at the end of the reporting period.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques that maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.7 Financial assets (continued)

2.7.3 Determination of fair value (continued)

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets, and for non-recurring measurement, such as assets held for distribution in discontinued operation.

At each reporting date, the management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.8 Reclassification of financial assets

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available for sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held to maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively. The Group did not reclassify any of its financial assets.

2.9 Impairment of financial assets

(a) *Financial assets carried at amortised cost*

The Group assesses at each consolidated statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.9 Impairment of financial assets (continued)***(a) Financial assets carried at amortised cost (continued)*

The criteria that the Group uses to determine whether there is objective evidence of impairment loss include:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group, including: adverse changes in the payment status of issuers or debtors in the Group; or national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated statement of comprehensive income.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.9 Impairment of financial assets (continued)***(b) Assets classified as available for sale*

The Group assesses at each date of the consolidated statement of financial position whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is an objective evidence of impairment resulting in the recognition of an impairment loss. If any such quantitative evidence exists for available for sale financial assets, the asset is considered for impairment, taking qualitative evidence into account. The cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the consolidated statement of comprehensive income. Impairment losses recognised in the consolidated statement of comprehensive income on equity instruments are not reversed through the consolidated statement of comprehensive income. If in a subsequent period the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated statement of comprehensive income.

2.10 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.11 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.12 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.13 Amounts due from banks

Amounts due from banks mainly include bank deposits are initially measured at fair value and subsequently measured at amortised, cost less impairment.

2.14 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.15 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Group's shareholders.

2.16 Receivables and payables not related to insurance contracts

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Accounts payable are obligations to pay for services that have been acquired in the ordinary course of business. Receivables and payables are recognised when due. These include amounts due to and from brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost (note 2.9).

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.17 Retirement benefit obligations**

The Group's subsidiaries, which are registered in Lebanon, are subscribed to the compulsory defined benefit plan of the local National Social Security Fund. As for the Company which is registered in Bermuda, it does not have employees; accordingly, no provision is recorded.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation. The liability recognised in the consolidated statement of financial position in respect of the defined benefit plan is the present value of the defined benefit obligation at the statement of financial position date less contributions to the fund. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related pension liability.

2.18 Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the consolidated statement of financial position date and are expected to apply when the related deferred income tax is realised or the deferred income tax liability is settled. Under this method, the Group is required to provide for deferred income taxes on the unrealised fair value gains on investment properties. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.19 Current income tax

The tax expense for the period comprises current tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Group's subsidiaries operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.20 Investment income**

Investment income mainly comprises interest on bank deposits and rental income. Investment income is stated net of investment expenses and charges.

Interest income is recognised in the consolidated statement of comprehensive income on an accrual basis. Dividend income is recognised in the consolidated statement of comprehensive income when dividends are declared. Realised gains and losses on investments are calculated as the difference between net sales proceeds and the carrying value of investments.

2.21 Insurance and investment contracts*(i) Classification*

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are significantly more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

(ii) Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed.

Short-term insurance contracts

These contracts are general insurance contracts and short-duration life insurance contracts. General insurance or non-life insurance policies, including automobile and homeowners policies, provide payments depending on the loss from a particular financial event. General insurance typically comprises any insurance that is not determined to be life insurance. It is broadly divided into two areas: personal lines and commercial lines.

Commercial lines products are usually designed for relatively small legal entities. These would include worker's compensation (employer's liability), public liability, commercial fleet and others.

Personal lines products are designed to be sold in large quantities. This would include autos (private car) and homeowners (household and others).

Short-duration life insurance contracts protect the Group's customers from the consequences of events (such as death or disability) that would affect the ability of the customer or his/her dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these contracts, premiums are recognised as revenue proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the consolidated statement of financial position date is reported as the unearned premium liability. Premiums are shown before deduction of commissions.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.21 Insurance and investment contracts (continued)***(ii) Recognition and measurement (continued)**Short-term insurance contracts (continued)*

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct and indirect claims settlement costs and arise from events that have occurred up to the consolidated statement of financial position date even if they have not yet been reported to the Group. The Group does not discount its liabilities for unpaid claims.

Taking into consideration the fact that significant time lags may exist between loss events and notification of the claims to the Group, incurred but not reported claims ("IBNR") are established on the basis of the Group's own estimates for claims that have already been incurred but not yet reported. These are guided by the principle of best estimate using actuarial methods (e.g. chain ladder, expected loss ratio methods, Bornhuetter-Ferguson). Such estimates are based upon both past experience and assessments of the future development. The adequacy of the provisions is regularly reviewed.

The Group does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Long-term insurance contracts with fixed and guaranteed terms

These contracts insure events associated with human life (for example death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is based on assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued.

A margin for adverse deviations is included in the assumptions. These contracts insure events associated with human life (for example death or survival) over a long duration. Premiums are recognised as revenue when they become payable by the contract holder.

(iii) Liability adequacy tests

Liability adequacy tests are performed at the consolidated statement of financial position date to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.21 Insurance contracts (continued)

(iv) Deferred policy acquisition costs

Commissions that are related to securing new contracts and renewing existing contracts are capitalised as Deferred Acquisition Costs ("DAC"). All other costs are recognised as expenses when incurred. Deferred acquisition costs are subsequently amortised over the life of the contracts. The resulting change to the carrying value of the deferred acquisition costs is charged to the consolidated statement of comprehensive income.

(v) Premium deficiency reserve

Where necessary, a provision is made when the expected value of claims and administrative expenses attributable to the unexpired periods of policies in force at the consolidated statement of financial position date exceeds the unearned premiums provision in relation to such policies. The assessment of whether a provision is necessary is made separately considering each category of business accounted for on an annual basis of accounting, on the basis of information available as at the consolidated statement of financial position date.

(vi) Reinsurance contracts

Contracts entered into by the Group with reinsurers and/or retrocessionaires under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held.

Reinsurance contracts entered into by the Group under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts.

The benefits to which the Group is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer-term receivables (classified as reinsurance assets) that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets (i.e. technical provisions related to the reinsurance contracts) for impairment on a yearly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the profit or loss.

The Group gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets. These processes are described in note 2.9.

Notes to the consolidated financial statements (continued)**2 Summary of significant accounting policies (continued)****2.21 Insurance contracts (continued)***(vii) Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers, reinsurers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the consolidated statement of profit or loss.

The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets held at amortised cost. These processes are described in note 2.9.

2.22 Financial liabilities

The Group recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at fair value through profit or loss) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost.

Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.23 Leases*(i) The Group's leasing activities and how these are accounted for*

The Group leases various properties. Rental contracts are typically made for fixed periods of 2 to 9 years but may have extension options as described in (v) below. For leases of real estate for which the Group is a lessee, the Group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes. Until the 2018 financial year, leases of property were classified as either finance leases or operating leases.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.23 Leases (continued)

(i) The Group's leasing activities and how these are accounted for (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Notes to the consolidated financial statements (continued)

2 Summary of significant accounting policies (continued)

2.23 Leases (continued)

(i) The Group's leasing activities and how these are accounted for (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

(ii) Extension and termination options

Extension and termination options are included in a number of property leases. These are used to maximise operational flexibility in terms of managing contracts the assets used in the Group's operations. The majority of extension and termination options held are exercisable only upon the consent of both the Group and the respective lessor.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Most extension options in office leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of zero.

2.24 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the consolidated financial statements (continued)

3 Critical accounting estimates and judgements

In the application of the Group's accounting policies, which are described in note 2 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3.1 Estimates

(a) *The ultimate liability arising from claims under insurance contracts*

The estimation of the ultimate liability arising from claims made under insurance contracts is one of the Group's critical accounting estimates. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims (refer to note 4.1).

(b) *Estimate of future benefit payments and premiums arising from life insurance contracts*

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. For long-term insurance contracts with fixed and guaranteed terms, an unearned premium reserve is held for the risk portion based on the sum at risk and the probability of claim each year. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk.

The Group bases these estimates on standard industry and national mortality tables that reflect recent historical mortality experience. For contracts that insure the risk of longevity, appropriate but not excessively prudent allowance is made for expected mortality improvements. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as wide-ranging lifestyle changes, such as in eating, smoking and exercise habits, could result in future mortality being significantly worse than in the past for the age groups in which the Group has significant exposure to mortality risk. However, continuing improvements in medical care and social conditions could result in improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.

Were the numbers of deaths in future years to differ by 10% from management's estimate, gross life insurance liabilities (before reinsurance) at 31 December 2022 would change by US\$ 0.92 million (2021 – US\$ 0.76 million). For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience.

The Group also has products that are universal savings plans where premiums after deducting charges and fees are placed into an account accumulating at a minimum credit interest rate guaranteed over one year.

Notes to the consolidated financial statements (continued)**3 Critical accounting estimates and judgements (continued)****3.1 Estimates (continued)***(c) Impairment of amounts due from banks*

The measurement of the impairment provision for amounts due from banks is an area that requires the use of significant assumptions and estimates such as the historical experience for the likelihood of banks defaulting as well as the resulted losses.

As explained in note 4.2.2, the Group held amounts due from banks in Lebanon which experienced a significant increase in credit risk since October 2019. Management considers the bank balances held by its subsidiaries in Lebanese commercial banks, classified as amounts due from banks, had an objective evidence of impairment. Management of the subsidiaries measured the amount of loss being the difference between the carrying amount of bank deposits and what management believed to be a best estimate for the present value of estimated cash flows.

The impairment provision at the level of the subsidiary was assessed to be equal to 14% (2021 – 29%) of the value of bank balances of US\$ 7.12 million (2021 - US\$ 4.55 million) amounted to US\$ 996 thousand (2021 – US\$ 1.31 million) (note 10(a)). A 5% increase / decrease in the valuation would increase / decrease the impairment loss by US\$ 356 thousand (2021 – US\$ 227 thousand).

(d) Provision for impairment of insurance and other receivables

Insurance and other receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience, the likelihood of default and other relevant factors disclosed in note 2.9. Management measures the amount of the loss as the difference between the carrying amount of accounts receivable and management's best estimate of the present value of future cash flows.

3.2 Judgements**3.2.1 Going concern**

The consolidated financial statements have been prepared on the going concern basis as follows:

(a) Cedar Insurance & Reinsurance Company Ltd. ("the Company")

The adverse economic situation in Lebanon has an impact on the Company through its investment in its key subsidiary ('Bankers Assurance SAL'). Management believes that the Company is solvent and liquid and is able to meet its current liabilities as they fall due. In addition, the Company's retrocessors are committed to settle the Beirut Port claims directly to the Company once the payments are due.

(b) Bankers Assurance SAL ("the key subsidiary")

The adverse economic environment in Lebanon is not expected to significantly impact the going concern assessment of the key subsidiary given its history of profitable operations and its solid financial position. According to management, the subsidiary had financial assets which were considered more than sufficient to enable it to meet its current obligations as they fall due in 2023. Management has prepared its 2023 budget taking into consideration the adverse economic and financial situation of Lebanon. According to its budget, the subsidiary is expecting a net profit for 2023 with a positive net cash position even in a worst case scenario that takes into consideration technical shocks and adverse economic conditions. The subsidiary's solvency position can sustain severe shocks, while still maintaining a ratio above the local minimum required.

Notes to the consolidated financial statements (continued)**3 Critical accounting estimates and judgements (continued)****3.2 Judgements (continued)****3.2.1 Going concern (continued)**

(b) Bankers Assurance SAL ("the key subsidiary") (continued)

Moreover, management settled most of the Beirut Port explosion claims and given its reinsurance arrangements, management believes that this event will not impact the ability of the Company to continue as a going concern for the next twelve months.

Should any additional impairment on Lebanese bank deposits materialise, the board of directors are committed to convene in order to discuss and take the necessary measures, enabling the subsidiary to maintain its operations and to remain in compliance with applicable insurance regulations.

Furthermore, the Company's immediate and ultimate parent companies have confirmed their readiness to provide the Company and its subsidiaries with the financial support needed to enable it to settle its liabilities in case of adverse developments.

3.2.2 Determination of IFRS 16 lease term

Refer to note 2.23 to the consolidated financial statements for the critical judgements applied in determining IFRS 16 lease term.

3.2.3 Foreign currency translation (for the key subsidiary)

Lebanon has been experiencing since 2019 a severe economic and financial crisis that has impacted its economic and business environment. This situation resulted in various exchange rates being used for the translation of foreign currency transactions and balances into the Lebanese Pound functional currency for the Group's operations in Lebanon.

Under IFRS, foreign exchange denominated monetary assets and liabilities are measured using the spot rate as at the statement of financial position.

Determination of the spot rate is complex, as availability of foreign currencies at the official rates in Lebanon is not always possible due to the prevailing foreign exchange controls. As a result of the above situation, multiple rates of exchange have arisen for the US Dollar that are specifically mentioned in note 4.2.2, namely:

- (i) an unofficial rate has emerged in the foreign exchange market that is applied by foreign exchange brokers in their currency trades ("the parallel rate"); and
- (ii) the Central Bank of Lebanon ('the BDL') has launched a new foreign exchange platform, namely the Sayrafa platform, where US Dollars can be sold or purchased at a rate determined by the BDL ("the Sayrafa rate").

Since the US Dollar spot rate is the basis management used to derive all other foreign currency spot rates, management applied their judgement to determine which of the above US Dollar exchange rates should be considered a spot rate.

Management considered the manner in which the currency is used and settled to determine what spot rate to apply and continued to apply the official rate as designated by the Central Bank of Lebanon as a spot rate to translate all foreign currency balances and transactions which were subject to banking restrictions in Lebanon.

Notes to the consolidated financial statements (continued)

3 Critical accounting estimates and judgements (continued)

3.2 Judgements (continued)

3.2.3 Foreign currency translation (for the key subsidiary) (continued)

However, management considered the Sayrafa rate as the spot rate used for the translation of "unrestricted" US Dollar (refer to 4.2.2 (iv)) balances and transactions in Lebanon to the Lebanese Pound functional currency. Management believed that the Sayrafa rate has enforceable rights and obligations and is an official rate quoted on the Central Bank of Lebanon and is available for immediate delivery for certain transactions. Management have therefore applied the Sayrafa rate to translate the "unrestricted" foreign currency transactions and balances to the functional currency.

The Group's management have also applied the Sayrafa rate to translate the subsidiaries' operations from the Lebanese Pound functional currency to the US Dollar presentation currency. At 31 December 2022, the Sayrafa rate was LL 38,000 for each 1 US\$ (2021 – LL 22,700 for each 1 US\$, the official rate). The average Sayrafa rate during the period from its launch to 31 December 2022 was LL 25,627 for each 1 US\$ (2021 - LL 17,216).

The Group had no other major estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4 Management of insurance and financial risk

The Group issues contracts that transfer insurance risk or financial risk or both. Moreover, the operations of the Group expose it to different types of financial risk. This section summarises these risks and the way the Group manages them.

4.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

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

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

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.1 Insurance risk (continued)****4.1.1 General insurance risk***(a) Frequency and severity of claims*

The frequency and severity of claims can be affected by several factors. The Group manages these risks through its underwriting strategy, adequate reinsurance and retrocession arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (i.e. subrogation).

The Group has specialised claims units dealing with the mitigation of risks. These units handle claims by sub category as follows:

- Marine: Cargo, Hull, Energy, Aviation.
- Non-Marine: Property, Casualty, Motor, Engineering.
- Other: Medical and other lines of business

The insurance business of the Group's key subsidiary is concentrated in Lebanon and the reinsurance business of the Company is mainly concentrated in the Gulf and other Middle East countries.

The Group is protected by reinsurance and retrocession arrangements including quota share, surplus and excess of loss treaties as well as a catastrophe excess of loss treaty that caps the overall exposure of the Group under insurance and reinsurance contracts held.

As at 31 December 2022
in US\$ thousands

	Type of risk			
	Medical	Property	Other	Total
Gross	12,439	51,815	17,846	82,100
Net	12,079	16,317	7,592	35,988
<hr/>				
As at 31 December 2021				
in US\$ thousands				
Gross	1,705	99,700	17,643	119,048
Net	620	12,530	3,912	17,062
<hr/>				

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.1 Insurance risk (continued)****4.1.1 General insurance risk (continued)***(b) Sources of uncertainty in the estimation of future claim payments*

Claims on general insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and a larger element of the claims provision relates to incurred but not reported claims ("IBNR"). There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by individual contract holders and the risk management procedures they adopted.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprise a provision for IBNR, a provision for reported claims not yet paid and a provision for unexpired risks at the end of the reporting period.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

The loss-ratio estimation is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until several months after the event that gave rise to the claims has happened.

In estimating the liability for the cost of reported claims not yet paid the Group considers any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

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

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.1 Insurance risk (continued)****4.1.1 General insurance risk (continued)***(b) Sources of uncertainty in the estimation of future claim payments (continued)*

Note 14 presents the development of the estimate of ultimate claim cost for claims notified in a given year. This gives an indication of the accuracy of the Group's estimation technique for claims payments.

(c) Process used to decide on assumptions

The risks associated with these insurance/reinsurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis.

The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Group uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

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

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

The Bornhuetter-Ferguson method uses a combination of a benchmark or market-based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

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

As explained in note 3, the assumptions used to estimate these liabilities require judgement and are subject to great uncertainty.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.1 Insurance risk (continued)****4.1.2 Life insurance risk***(a) Frequency and severity of claims*

At present, these risks do not vary significantly in relation to the location of the risk insured by the Company. However, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

For contracts with fixed and guaranteed benefits and fixed future premiums, there are no mitigating terms and conditions that reduce the insurance risk accepted.

The Company charges for mortality risk on a monthly basis for all insurance contracts without a fixed term. It has the right to alter these charges based on its mortality experience and hence minimise its exposure to mortality risk. The Company manages these risks through its underwriting strategy and reinsurance arrangements.

The Group's underwriting strategy is intended to ensure that the risks underwritten are well diversified in terms of type of risk and the level of insured benefits. For example, the Group balances death risk and survival risk across its portfolio. Medical selection is also included in the Group's underwriting procedures with premiums varied to reflect the health condition and family medical history of the applicants.

The table below shows the concentration of life insurance benefits across four bands of individual benefits per life assured. The benefit insured figures are shown gross and net of reinsurance contracts. These tables do not include annuity contracts.

Benefits per life assured
in thousands of US dollars

	Total insurance benefits before reinsurance	
	2022	2021
	%	%
0 - 100	78	76
100 - 250	15	16
250 - 500	4	5
Above 500	3	3
	100	100

Life insurance benefits are subject to quota share and surplus treaties with maximum retention of US\$ 28,000 and US\$ 35,000 respectively.

The concentration of benefits assured per life assured did not change in 2022 as compared to 2021. The risk is concentrated in the lower value bands at the end of the years 2022 and 2021.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.1 Insurance risk (continued)****4.1.2 Life insurance risk (continued)***(b) Sources of uncertainty in the estimation of future benefit payments and premium receipts*

Uncertainty in the estimation of future benefit payments and premium receipts for life insurance contracts arises from the unpredictability of long-term changes in overall levels of mortality and the variability in contract holder behavior. The Group uses appropriate base tables of standard mortality according to the type of contract being written.

An investigation into the actual experience of the Group is carried out, and statistical methods are used to adjust the crude mortality rates to produce a best estimate of expected mortality for the future.

The concentration of insurance risk before and after reinsurance in relation to the type of life insurance risk accepted is summarised below, with reference to the carrying amount of the related insurance liabilities (gross and net of reinsurance) arising from life insurance contracts:

	Type of risk			
	Life individual	Life group	Unit-linked	Total
As at 31 December 2022				
in US\$ thousands				
Gross	3,266	1,231	17,146	21,643
Net	1,426	353	14,063	15,842
As at 31 December 2021				
in US\$ thousands				
Gross	4,096	1,014	18,535	23,645
Net	1,949	302	15,947	18,198

(c) Process used to decide on assumptions

For long-term insurance contracts with fixed and guaranteed terms, estimates are made in two stages. At inception of the contract, the Company determines assumptions in relation to future deaths, voluntary terminations, investment returns and administration expenses. These assumptions are used for calculating the liabilities during the life of the contract. A margin for risk and uncertainty is added to these assumptions. These assumptions are 'locked in' for the duration of the contract.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.1 Insurance risk (continued)****4.1.2 Life insurance risk (continued)***(c) Process used to decide on assumptions (continued)*

The assumptions used for the insurance contracts disclosed in this note are as follows:

Mortality:

- An appropriate base table of standard mortality is chosen depending on the type of contract.

Morbidity:

- The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

Persistency:

- An investigation into the Company's experience over the most recent three years is performed, and statistical methods are used to determine an appropriate persistency rate. Persistency rates vary by product type and policy duration. An allowance is then made for any trends in the data to arrive at a best estimate of future persistency rates that takes into account the effective contract holders' behaviour.

Investment returns:

- Investment returns affect the assumed level of future benefits due to the contract holders and the selection of the appropriate discount rate.

(d) Change in assumptions

The Company did not change its assumptions for the insurance contracts disclosed in this note.

4.2 Financial risk

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets, and insurance liabilities. In particular, the key financial risk is that in the long term the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risk that the Group primarily faces due to the nature of its investments and liabilities is interest rate risk and equity price risk.

The Group manages these positions to achieve investment returns in excess of its obligations under insurance and investment contracts. The Group has not changed the processes used to manage its risks from previous periods.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.1 Fixed and guaranteed insurance contracts**

Insurance contracts with guaranteed and fixed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate (for the insurance contracts, this rate may apply to maturity and/or death benefits) and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

The Group monitors interest rate risk by calculating the mean duration of the investment portfolio and the liabilities issued. The mean duration is an indicator of the sensitivity of the assets and liabilities to changes in current interest rates. The mean duration of the liabilities is determined by means of projecting expected cash flows from the contracts using best estimates of mortality and voluntary terminations. The mean duration of the assets is calculated in a consistent manner. Any gap between the mean duration of the assets and the mean duration of the liabilities is minimised by means of buying and selling fixed interest securities of different durations.

All the long-term insurance contracts with fixed and guaranteed terms can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. This surrender value is always lower than the carrying amount of the insurance liabilities as a result of the application of surrender penalties set out in the contracts.

The table in note 4.2.4 represents the expected cash flows not taking into account lapse rates. The value of this liability would be lower than stated in the separate statement of financial position as the Company would be contractually entitled to deduct a surrender charge. The effect of the surrender charges is immaterial.

The excess of assets over liabilities represents the allocation of assets to this portfolio under the Group's capital management approach.

4.2.2 Market risk

Market risk is comprised of cash flow and fair value interest rate risk, equity price risk and foreign currency risk. There were no changes in the methods used by management.

(a) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from bank deposits. Bank deposits earning variable rates expose the Group to cash flow interest rate risk. During 2021 and 2022, the Group's bank deposits were at fixed rates.

(i) Long-term life insurance contracts with guaranteed terms

Insurance contracts with guaranteed terms have benefit payments that are fixed and guaranteed at the inception of the contract. The financial component of these benefits is usually a guaranteed fixed interest rate and hence the Group's primary financial risk on these contracts is the risk that interest income and capital redemptions from the financial assets backing the liabilities is insufficient to fund the guaranteed benefits payable.

All long-term insurance contracts with fixed and guaranteed terms can be surrendered before maturity for a cash surrender value specified in the contractual terms and conditions. The Group is not required to, and does not, measure this embedded derivative at fair value. This surrender value is lower than the carrying amount of the insurance liabilities as a result of the application of surrender penalties set out in the contracts.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.2 Market risk (continued)**

(a) *Cash flow and fair value interest rate risk (continued)*

(i) Long-term life insurance contracts with guaranteed terms (continued)

The table below summarises the effective interest rate at the date of the consolidated statement of financial position by major currencies across financial assets.

	2022 %	2021 %
<i>Financial assets:</i>		
- Debt securities	7.1	7.1
- Bank deposits with an original maturity of more than 3 months	<u>4.0</u>	<u>3.9</u>

The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

Based on the simulations performed, if interest rates had been 5% higher/lower on debt securities with all variables held constant, net profit for the year would have been higher/lower by US\$ 6 thousand (2021 – US\$ 18 thousand). A change of 10% (2021 – 10%) in interest yields on bank deposits would result in a gain or loss for the period of US\$ 34 thousand (2021 – US\$ 39 thousand) that would be recognised directly in the consolidated statement of comprehensive profit or loss.

(ii) Unit-linked insurance contracts

For unit-linked contracts, the Group matches all the liabilities on which the unit prices are based with assets in the portfolio. There is therefore no price, currency, credit, or interest risk for these contracts.

The Group's primary exposure to market risk (being interest rate, equity price and currency risk) from these contracts is the risk of volatility in asset management fees due to the impact of interest rate, equity price and currency movements on the fair value of the assets held in the linked funds on which investment management fees are based. However, this risk is not significant to the Group as management fees represent a minor part of its total revenue during the year.

This category of contracts provides contract holders with minimum guaranteed death benefits that expose the Group to the risk that declines in the value of underlying investments as a result of changes in prices of financial assets may increase the Group's net exposure to death risk. These contracts have embedded surrender options which vary in response to the change in the value of underlying investment.

The Group is therefore required to separate and fair value these derivatives when the derivatives are not closely related to the host contract. At year-end, all embedded derivatives within insurance liabilities were closely related to the host contract and did not require separation.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.2 Market risk (continued)***(b) Equity price risk**Exposure*

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position either as available for sale or at fair value through profit or loss (FVPL) (notes 8(a) and 8(c)).

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the board. Financial assets at fair value through profit or loss include unit linked contracts where the risk is borne by the policyholder.

Sensitivity

The majority of the Group's equity investments are not publicly traded. If the equity indexes of those that are publicly traded had increased/decreased the post-tax profit for the period would not be materially impacted. A 10% increase / decrease would increase / decrease post-tax profit by US\$ 687 thousand (2021 – US\$ 779 thousand). Other components of equity would increase/decrease as a result of gains/losses on equity securities classified as available for sale financial assets.

Amounts recognised in consolidated statements of profit or loss and other comprehensive income

The amounts recognised in consolidated statements of profit or loss and other comprehensive income in relation to the various investments held by the Group are disclosed in note 8.

(c) Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Lebanese Pounds. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in foreign currencies and net investments in foreign operations.

At 31 December 2022, the Group translated the results of its subsidiaries in Lebanon at the closing Sayrafa rate. In May 2021, the Central Bank of Lebanon ('the BDL') launched a new foreign exchange platform, namely the Sayrafa platform, where US Dollars can be sold or purchased at a rate determined by the BDL.

		Closing rate		Average rate	
		2022	2021	2022	2021
Foreign currency to US Dollars					
Lebanese Pounds	LBP	<u>38,000</u>	<u>22,700</u>	<u>25,627</u>	<u>17,216</u>

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.2 Market risk (continued)***(c) Foreign currency risk (continued)*

Management has provided guidance to its Group companies to manage their foreign exchange risk against their functional currency. The Group does not use forward contracts to hedge its exposure to foreign currency risk. Instead, the Group monitors and limits the currency gap between its accounts receivable and accounts payable. The Group concentrates its investments in assets denominated in the same currency as their related liability, which reduces the foreign currency exchange rate risk for these operations. In addition, the Group is closely monitoring its operating expenses to minimize the currency mismatch with revenues as it is mostly generated in US dollars.

4.2.3 Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

The gross carrying amount of financial assets below represents the Group's maximum exposure to credit risk on these assets.

	2022	2021
	US\$	US\$
Financial investments (note 8)		
Debt securities held at amortised cost (gross of provision, note 8.2(b))	632,031	1,211,783
Debt securities at FVPL	1,023,039	2,115,505
Loans and receivables		
- Amounts due from banks (note 10(a))	7,123,847	4,549,259
- Other bank balances (note 10(b))	5,579,873	2,085,172
- Insurance and other receivables (excluding prepayments) (note 9)	73,401,628	64,521,254
Reinsurance assets (note 14)	57,400,174	112,647,593
Cash and cash equivalents (note 11) (excluding cash on hand and cheques for collection)	41,040,110	19,205,057
Total assets bearing credit risk	<u>186,200,702</u>	<u>206,335,623</u>

The assets above are all rated according to Standard & Poors' (S&P) rating or equivalent when not available from Standard & Poors.

Credit grade	Credit rating	2022	2021
		US\$	US\$
Investment grade	A	85,021,013	130,452,742
Non-investment grade	B - to BB+	3,681,140	369,789
Default -substantial risk	D to CCC+	37,251	1,046,477
Not rated	N/A	97,461,298	74,466,615
		<u>186,200,702</u>	<u>206,335,623</u>

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****Management of credit risk for financial assets**

The Group structures the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties and to geographical and industry segments. Such risks are subject to a regular review. Limits on the level of credit risk by category are approved regularly by the board of directors ("board"). The assumptions underlying the impairment provisions are monitored and reviewed on a quarterly basis.

The table below provides a geographic analysis of the Group's financial assets:

	Near East & Middle East US\$	Europe US\$	Other US\$	Total US\$
As at 31 December 2022				
Assets				
Financial investments	632,031	-	1,023,039	1,655,070
Loans and receivables:				
- Amounts due from banks	7,123,847	-	-	7,123,847
- Insurance and other receivables (excluding prepayments)	38,514,080	26,928,222	7,959,326	73,401,628
- Other bank balances	-	5,579,873	-	5,579,873
Reinsurance assets	-	57,400,174	-	57,400,174
Cash and cash equivalents (excluding cash on hand and cheques under collection)	16,494,392	24,545,718	-	41,040,110
Total financial assets subject to credit risk	62,764,350	114,453,987	8,982,365	186,200,702
As at 31 December 2021				
Assets				
Financial investments	1,211,783	-	2,115,505	3,327,288
Loans and receivables:				
- Amounts due from banks	4,549,259	-	-	4,549,259
- Insurance and other receivables (excluding prepayments)	23,088,608	21,772,678	19,659,968	64,521,254
- Other bank balances	-	2,085,172	-	2,085,172
Reinsurance assets	-	112,647,593	-	112,647,593
Cash and cash equivalents (excluding cash on hand and cheques under collection)	8,796,668	10,408,389	-	19,205,057
Total financial assets subject to credit risk	37,646,318	146,913,832	21,775,473	206,335,623

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****Management of credit risk for financial assets (continued)***(i) Credit risk for financial investments*

The Group has a credit risk policy put in place and approved by the board of directors ("board"). This policy sets out how credit risk is measured, managed, monitored and reported. The oversight of the execution of the credit risk policy is delegated to the finance department. The execution itself is performed by the Group's investment team. The credit risk policy is evaluated quarterly. The Group manages credit risk by adhering to the credit risk limits within the risk appetite set by the board of directors and by the credit policy referred to above. The Group's investment team are to operate within these credit limits, and the finance department monitors whether credit limits are exceeded. Credit limits are set for individual counterparties and geographical and industry concentrations.

The Group has a high credit risk concentration in subordinated bonds held with Lebanese commercial banks. Some of these investments are backing up long term life insurance liabilities.

(ii) Credit risk on insurance and other receivables

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group.

Management information reported to its board of directors includes details of provisions for impairment on insurance and other receivables and subsequent write-offs. Exposures to individual policyholders / cedant companies and groups of policyholders / cedant companies are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders or cedant companies, a financial analysis equivalent to that conducted for reinsurers and retrocessionnaires is carried out by the Group. No significant exposure exists with policyholders, cedant companies, agents or brokers that can expose the Group to losses from credit risk. The aging of balances due from contract holders on the direct insurance business is as follows:

	31 December 2022			
In US\$	< 90 days	91 – 365 days	> 365 days	Total
Amounts due from contract holders (direct business)	13,961,649	2,446,166	117,162	16,524,977
Provision for impairment	-	(335,959)	(117,162)	(453,121)
Net carrying amount	13,961,649	2,110,207	-	16,071,856
	31 December 2021			
Amounts due from contract holders (direct business)	3,180,544	1,007,320	321,179	4,509,043
Provision for impairment	-	(213,307)	(321,179)	(534,486)
Net carrying amount	3,180,544	794,013	-	3,974,557

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****Management of credit risk for financial assets (continued)***(ii) Credit risk on insurance and other receivables (continued)*

The average credit period of the Group is 90 days on the insurance business. Balances due from contract holders on direct insurance business are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

It is not the practice of the Group to obtain collateral in respect of receivables and the vast majority of receivables related to the general insurance business are therefore unsecured. Premiums receivables related to the life saving line of business are generally secured by the cash value of the policy. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The geographical allocation of receivables arising from insurance and other receivables is in Lebanon. The Group has a large number of dispersed debtors and therefore, the Group doesn't have a concentration of credit risk with specific policyholders.

Changes from the previous period

There has been no change to the exposure of risks nor to the Group's objectives, policies and processes for managing risk and the methods used to manage risks compared to previous years.

(iii) Credit risk on reinsurance or retrocession assets including receivables from insurers or retrocessionaires

Reinsurance and retrocession is used to manage insurance and reinsurance risks. This does not, however, discharge the Group's liability as primary insurer or reinsurer. If a reinsurer / retrocessionaire fails to pay a claim for any reason, the Group remains liable for the payment to the insured or ceding company. The creditworthiness of reinsurers / retrocessionaires is considered by reviewing their financial strength prior to finalisation of any reinsurance or retrocession contract. The Group chooses highly rated reinsurers for short tail business and does not exceed any specific exposure per retrocessionaire. Management did not book any impairment loss related to its reinsurers or retrocessionaires since there has been no history of default in the past. The carrying value of these assets is the maximum exposure to credit risk. The concentration of credit risk did not change compared to the prior year.

(iv) Credit risk related to restricted cash at Lebanese commercial banks

The Group manages the credit risk of balances with banks by investing surplus funds only with approved counterparties and within credit limits assigned to each counterparty.

At 31 December 2022, 15% of the cash at banks were concentrated in Lebanon (2021 – 37%) and 85% were concentrated with two banks in France and one bank in Switzerland (2021 – 63%). The balances held with Lebanese commercial banks amounted to US\$ 6.09 million (net of impairment provision) (2021 – US\$ 61.8 million, net of impairment provision) and the remaining balance held in with French and Swiss commercial banks amounted to US\$ 44.98 million (2021 – US\$ 15.41 million).

Lebanon has been experiencing since 2019 a severe economic and financial crisis that has impacted its economic and business environment, resulting in a significantly heightened level of country risk.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.3 Credit risk (continued)****Management of credit risk for financial assets (continued)***(iv) Credit risk related to restricted cash at Lebanese commercial banks (continued)*

Following the decision of the government in March 2020 to withhold payment on its US Dollar denominated Eurobonds, Lebanon's sovereign credit rating was downgraded by international credit rating agencies to Default. As a result of the ensuing shortage in US Dollars, local banks have limited access to US Dollars and have frozen company credit facilities, which in turn resulted in significant liquidity pressure. The banking sector has implemented a system of foreign exchange controls that makes it virtually impossible to transfer foreign currency outside Lebanon and limits the amount of foreign currency that may be withdrawn from bank accounts.

The deep economic and financial crisis, combined with COVID-19, the explosion at the Port of Beirut on 4 August 2020 and the banking sector foreign currency restrictions, have led to the emergence of an unofficial US Dollar exchange rate in the foreign exchange market that is at a significant premium as compared to the official rate of LL 1,507.5 to the US Dollar.

Foreign currencies that are not subject to banking restrictions on withdrawals are referred to as "unrestricted" foreign currencies. Companies have been transacting on the basis of multiple exchange rates depending on the nature of transactions and stakeholders (clients, suppliers, other stakeholders).

Significant judgement

At 31 December 2022 and 2021, for the purposes of determining whether there was any impairment in value on the "restricted" current accounts held with Lebanese banks which were subject to high credit risk, management concluded that it was currently able to use such funds in the normal course of business despite the current banking restrictions and no provision for impairment was recorded against these balances.

Refer to note 10 (a) for the provision booked against bank deposits in Lebanese commercial banks and to note 3.2 for the significant judgements made in the preparation of these consolidated financial statements.

Refer to note 3.1 (c) for the sensitivity analysis prepared by management.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.4 Liquidity risk**

Liquidity risk is the risk that the Group is unable to meet its obligations when they fall due as a result of policyholder benefit payments, cash requirements from contractual commitments, or other cash outflows. Such outflows would deplete available cash resources for operational, trading and investments activities. In extreme circumstances, lack of liquidity could result in reductions in the statement of financial position and sales of assets, or potentially an inability to fulfill policyholder commitments. The risk that the Group will be unable to do so is inherent in all reinsurance operations and can be affected by a range of institution-specific and market-wide events including, but not limited to, credit events, merger and acquisition activity, systemic shocks and natural disasters.

The Group's liquidity management process, as carried out within the Group includes day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met, maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow and monitoring the liquidity ratios of the statement of financial position against internal and regulatory requirements.

The table below indicates the estimated amount and timing of cash flows arising from liabilities excluding unearned reinsurance commissions, unearned premiums reserve and unexpired risk reserve:

		Expected cash flows (undiscounted)				
	Carrying amount	0-1 year	1-2 year	2-3 year	3-5 years	>5 years
At 31 December 2022 in US\$'000						
Life insurance and unit linked contracts	21,643	1,931	72	80	313	19,247
General insurance contracts	82,100	76,002	2,333	1,272	707	1,786
Other liabilities (excluding statutory liabilities and provisions)	31,605	31,605	-	-	-	-
	<u>135,348</u>	<u>109,538</u>	<u>2,405</u>	<u>1,352</u>	<u>1,020</u>	<u>21,033</u>
At 31 December 2021 in US\$'000						
Life insurance and unit linked contracts	23,645	2,140	170	352	346	20,637
General insurance contracts	119,048	105,105	5,096	2,780	1,544	4,523
Other liabilities (excluding statutory liabilities and provisions)	20,558	18,714	-	-	-	1,844
	<u>163,251</u>	<u>125,959</u>	<u>5,266</u>	<u>3,132</u>	<u>1,890</u>	<u>27,004</u>

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.4 Liquidity risk (continued)**

The table below summarizes the maturity profile of the Group's financial assets. The maturity has been presented on a contractual undiscounted cashflow basis. The contractual maturities of financial assets have been determined on the basis of the remaining period at the reporting date to the contractual maturity date, gross of provision for impairment. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

At 31 December 2022
in US\$'000

	Carrying amount	Expected cash flows (undiscounted)				
		0-1 year	1-2 years	2-3 years	3-5 years	>5 years
Financial investments						
- available for sale	1,589	1,589	-	-	-	-
- at fair value through profit or loss	25,398	25,398	-	-	-	-
- held to maturity	507	7	88	29	64	319
Loans and receivables:						
- Amounts due from banks	7,124	7,124	-	-	-	-
- Insurance and other receivables	73,541	55,228	7,956	-	-	10,357
- Other bank balances	5,580	5,580	-	-	-	-
Reinsurance assets	57,400	53,674	14	15	59	3,638
Cash and cash equivalents	41,807	41,807	-	-	-	-
	<u>212,946</u>	<u>190,407</u>	<u>8,058</u>	<u>44</u>	<u>123</u>	<u>14,314</u>

At 31 December 2021
in US\$'000

Financial investments						
- available for sale	1,276	1,276	-	-	-	-
- at fair value through profit or loss	31,602	31,602	-	-	-	-
- held to maturity	999	156	284	-	164	395
Loans and receivables:						
- Amounts due from banks	4,501	4,501	-	-	-	-
- Insurance and other receivables	64,614	41,277	19,660	-	-	3,677
- Other bank balances	2,085	2,085	-	-	-	-
Reinsurance assets	112,648	94,880	6,613	3,607	2,004	5,544
Cash and cash equivalents	21,467	21,467	-	-	-	-
	<u>239,192</u>	<u>197,244</u>	<u>26,557</u>	<u>3,607</u>	<u>2,168</u>	<u>9,616</u>

The Group's liquidity risk is reviewed at least on a quarterly basis. The Group uses a liquidity risk model aligned with its parent company to measure the impact of severe shocks and scenarios, on the Group's liquidity position. Based on the revised budget for 2023, taking into consideration the general economic and financial conditions in Lebanon, the Group's liquidity position in 2023 can sustain severe shocks while still having an excess liquidity.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.2 Financial risk (continued)****4.2.5 Capital management**

The Group's objectives when managing capital are:

- To comply with the insurance and reinsurance capital requirements that the regulators of the insurance and reinsurance markets where the Group operates require;
- To safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing insurance, reinsurance and investment contracts commensurately with the level of risk.

4.3 Fair value measurement**4.3.1 Fair value hierarchy**

Refer to the accounting policies regarding the determination of the fair values of financial assets (note 2.7.3).

There were no transfers between the fair value hierarchy levels for recurring fair value measurements during both years. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Valuation techniques used to determine fair values

- Level 1: The Group has no level 1 investments during the two reporting periods presented since although some investments are publicly traded, they were not actively traded in the stock markets.
- Level 2: The fair value of level 2 investments is based on quoted market prices taken from reliable and third party sources. These investments are mostly publicly traded, but since they were not actively traded, they were classified as level 2. For those that are not publicly traded, the fair value was determined based on dealer quotes for similar instruments.
- Level 3: The fair value of mutual funds is based on the latest reported net asset values as reported by third party fund administrators.

At 31 December 2022 and 2021, available for sale financial assets were stated at cost, as adjusted by inflation, less impairment, in the absence of active markets or other means of reliably measuring their fair value (note 8(c)).

There were no changes in the FV techniques between 2022 and 2021.

Notes to the consolidated financial statements (continued)**4 Management of insurance and financial risk (continued)****4.3 Fair value measurement (continued)****4.3.2 Recognised fair value measurement**

At 31 December 2022, buildings at the carrying amount of US\$ 5.85 million (2021 – US\$ 5.94 million), investment properties at the carrying amount of US\$ 1.32 million (2021 – US\$ 1.32 million) and financial assets measured at fair value through profit or loss at the carrying amount of US\$ 0.51 million (2021 – US\$ 0.36 million) were classified as level 3 and other financial assets measured at fair value through profit or loss of US\$ 24.89 million (2021 – US\$ 31.24 million) were classified as Level 2.

The Group issues life unit linked contracts that are designated at fair value through profit or loss. These liabilities are backed up by mutual funds measured at fair value through profit or loss (note 8). The split of these financial liabilities by fair value hierarchy level match the split of their underlying assets. There are no other financial assets and liabilities which should be measured at fair value.

4.3.3 Financial instruments not measured at fair value

At 31 December 2022, the fair value of the Group's held to maturity financial assets amounted to US\$ 0.51 million (2021 – US\$ 0.99 million).

The carrying amounts of the remaining financial assets and liabilities (including those included in the above table) approximate their fair value.

Notes to the consolidated financial statements (continued)

5 Property and equipment

	Buildings US\$	Leasehold improvements US\$	Office and computer equipment US\$	Furniture US\$	Motor vehicles US\$	Total US\$
Year ended 31 December 2021						
Opening net book amount	9,992,286	543,740	1,562,891	1,080,804	502,068	13,681,789
Exchange differences	-	(507,630)	(1,459,100)	(1,009,028)	(468,725)	(3,444,483)
Inflation adjustment	2,452,354	85,522	328,809	176,517	45,278	3,088,480
Additions	-	1,028	12,252	178	-	13,458
Depreciation charge (note 24)	(6,856)	(56,997)	(92,352)	(33,575)	(21,272)	(211,052)
Impairment of buildings	(6,463,229)	-	-	-	-	(6,463,229)
Closing net book amount	5,974,555	65,663	352,500	214,896	57,349	6,664,963
At 31 December 2021						
Cost or fair value	7,648,235	2,724,789	4,635,156	1,914,283	466,765	17,389,228
Accumulated depreciation	(1,673,680)	(2,659,126)	(4,282,656)	(1,699,387)	(409,416)	(10,724,265)
Net book amount	5,974,555	65,663	352,500	214,896	57,349	6,664,963

Notes to the consolidated financial statements (continued)

5 Property and equipment (continued)

	Buildings US\$	Leasehold improvements US\$	Office and computer equipment US\$	Furniture US\$	Motor vehicles US\$	Total US\$
Year ended 31 December 2022						
Opening net book amount	5,974,555	65,663	352,500	214,896	57,349	6,664,963
Exchange differences	(1,941,388)	(26,438)	(141,928)	(86,524)	(23,090)	(2,219,368)
Inflation adjustment	1,870,337	48,852	262,251	159,877	42,666	2,383,983
Additions	-	1,002	47,771	140	-	48,913
Depreciation charge (note 24)	(56,715)	(53,408)	(86,538)	(31,461)	(19,933)	(248,055)
Closing net book amount	5,846,789	35,671	434,056	256,928	56,992	6,630,436
At 31 December 2022						
Cost or fair value	7,577,184	2,748,205	4,803,250	1,987,776	486,341	17,602,756
Accumulated depreciation	(1,730,395)	(2,712,534)	(4,369,194)	(1,730,848)	(429,349)	(10,972,320)
Net book amount	5,846,789	35,671	434,056	256,928	56,992	6,630,436

At 31 December 2020, upon the initial application of IAS 29, the previous revaluation surplus of US\$ 6 million (gross of tax) was reversed.

During 2021, buildings were revalued by an independent appraiser. The valuation is considered Level 3 in the fair value hierarchy and is derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter. The difference between the inflation restated historical cost and the fair value of the buildings as assessed at 31 December 2021 of US\$ 6.46 million was accounted for as an impairment charge in the consolidated statement of profit or loss. A 10% increase / decrease in the value of the buildings would increase or decrease fair value reserve in equity by US\$ 585 thousands (2021 – US\$ 597 thousands).

At 31 December 2022, there was a first degree mortgage on Ghobeiri office of US\$ 11 thousands in favour of the Ministry of Economy and Trade in Lebanon (2021 – US\$ 18 thousands).

Notes to the consolidated financial statements (continued)**6 Investment properties**

	2022 US\$	2021 US\$
At 1 January	1,318,398	2,262,750
Impairment loss	-	(944,352)
At 31 December	1,318,398	1,318,398

At 31 December 2022 and 2021, investment properties comprise an office in Sofil, Ashrafieh area with a carrying value of US\$ 1.19 million and a property in Faraya with a carrying value of US\$ 127 thousand.

Level 3 fair values of investment properties have been derived using the sales comparison approach as applied by independent experts. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter. These properties were last revalued during 2021. During 2021, the difference of US\$ 944 thousand between the fair value and the carrying amount of the properties was accounted for as an impairment charge in the consolidated statement of profit or loss in 2021. A 10% increase / decrease in the value of the properties would increase or decrease fair value gains in the consolidated statement of profit or loss by US\$ 132 thousand for 2021 and 2022.

At 31 December 2022, there was a first degree mortgage on Sofil office of US\$ 27 thousand in favour of the Ministry of Economy and Trade in Lebanon (2021 – US\$ 45 thousands).

The buildings are held for long-term rental yields. During 2022, rental income amounted to US\$ 3 thousand (2021 – US\$ 6 thousands).

7 Investment in associate

The Group's associate is the following:

	Country of incorporation	Percentage ownership 2022	Percentage ownership 2021
Syndicate of Wall Street Investors NV	Netherlands, Antilles	32.43%	32.43%
		2022 US\$	2021 US\$
Syndicate of Wall Street Investors NV		1,160,000	1,160,000
Provision for impairment		(1,160,000)	(1,160,000)
		-	-

Notes to the consolidated financial statements (continued)**8 Financial instruments****8.1 Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the consolidated financial statements.

8.2 Categories of financial instruments

	2022 US\$	2021 US\$
Financial assets		
Financial investments		
At fair value through profit or loss (a)	25,397,898	31,602,125
Held-to-maturity (b)	507,067	998,608
Available for sale (c)	1,589,337	1,276,049
Amounts due from banks (note 10(a))	6,128,181	3,243,079
Insurance and other receivables (note 9)	73,540,503	64,614,298
Other bank balances (note 10(b))	5,579,873	2,085,172
Reinsurance assets (note 14)	57,400,174	112,647,593
Cash and cash equivalents (note 11)	41,807,169	21,466,776
	<u>211,950,202</u>	<u>237,933,700</u>
Financial liabilities		
Insurance liabilities (note 14)	143,704,053	161,585,005
Accounts payable (note 15)	33,049,373	21,209,596
Lease liabilities (note 32)	72,161	115,694
	<u>176,825,587</u>	<u>182,910,295</u>

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values due to their short-term nature, except for held to maturity financial assets (refer to note 8.3(b)).

8.3 Financial investments

The Group's financial instruments are summarised by measurement category in the table below:

	2022 US\$	2021 US\$
At fair value through profit or loss (a)	25,397,898	31,602,125
Held-to-maturity (b)	507,067	998,608
Available for sale (c)	1,589,337	1,276,049
	<u>27,494,302</u>	<u>33,876,782</u>

Notes to the consolidated financial statements (continued)**8 Financial instruments (continued)****8.3 Financial investments (continued)***(a) Financial assets at fair value through profit or loss*

	2022	2021
	US\$	US\$
Listed mutual funds	16,998,599	21,334,449
Unlisted mutual funds	511,110	361,995
Listed equity securities	6,865,150	7,790,176
Listed debt securities	982,060	2,055,360
Accrued interest on debt securities	40,979	60,145
	<u>25,397,898</u>	<u>31,602,125</u>

At 31 December 2022 financial assets held at fair value through profit or loss amounting to US\$ 15.07 million (2021 – US\$ 21.96 million) were held against unit linked liabilities and investment contracts (note 14).

(b) Held-to-maturity

	2022	2021
	US\$	US\$
Unlisted debt securities (i)	623,265	1,169,818
Accrued interest on debt securities	8,766	41,965
Allowance for impairment of debt securities (ii)	(124,964)	(213,175)
	<u>507,067</u>	<u>998,608</u>

(i) Unlisted debt securities

Held-to-maturity financial assets include subordinated bonds held in Lebanese commercial banks measured at amortised cost of US\$ 0.22 million (2021 – US\$ 0.71 million) and an investment in a securitization fund of US\$ 0.40 million (2021 – US\$ 0.46 million).

At 31 December 2022, US\$ 0.11 million (2021 – US\$ 0.18 million) mature in 2024, US\$ 0.04 million (2021 – US\$ 0.06 million) mature in 2025, and US\$ 0.08 million (2021 – US\$ 0.13 million) mature in 2026. At 31 December 2022 and 2021, these securities carried coupon rates ranging between 6.75% and 7.5% per annum. The impairment provision held against these investments amounted to US\$ 0.12 million (2021 – US\$ 0.21 million).

At 31 December 2022, unlisted debt securities amounting to US\$ 0.06 million (2021 – US\$ 0.09 million) were held against unit linked liabilities and investment contracts.

Notes to the consolidated financial statements (continued)**8 Financial instruments (continued)****8.3 Financial investments (continued)***(b) Held-to-maturity (continued)**(ii) Allowance for impairment of debt securities*

The movement in provision for impairment of debt securities held as held-to-maturity financial assets is as follows:

	2022	2021
	US\$	US\$
At 1 January	213,175	5,885,000
Exchange differences	(85,831)	(5,494,179)
Decrease in provision for impairment (see above)	(2,380)	(177,646)
At 31 December	124,964	213,175

During 2021, the Group released the impairment provision that was previously held against investments in subordinated bonds in a Lebanese commercial bank amounting to US\$ 0.18 million upon their redemption at their nominal value. However, the provision thus released was then transferred and applied against bank deposits (note 10 (b)) to cover for the credit risk described in note 1.1.1. The provision made and the release of provision were netted off against each other in the consolidated statement of comprehensive income during the year.

(c) Available for sale

	2022	2021
	US\$	US\$
Unlisted equity securities (see below)	1,589,337	1,276,049

In the absence of active markets or other means of reliably measuring their fair value, unlisted equity securities of US\$ 1.6 million (2021 – US\$ 1.28 million) were stated at cost restated for the impact of inflation, upon the application of IAS 29.

At 31 December 2022, available for sale financial assets of US\$ 3 thousand were mortgaged in favour of the Ministry of Economy and Trade in Lebanon (2021 – US\$ 5 thousand).

Notes to the consolidated financial statements (continued)**8 Financial instruments (continued)****8.3 Financial investments (continued)***(d) Movement*

The movement in the Group's financial assets is summarised in the table below by measurement category:

	At fair value through profit or loss US\$	Held-to- maturity US\$	Available for sale US\$	Total US\$
At 1 January 2021	23,643,926	9,616,013	3,010,354	36,270,293
Exchange differences	-	(8,977,417)	(2,810,437)	(11,787,854)
Impact of IAS 29 application	-	-	1,385,687	1,385,687
Additions	13,270,734	154,185	-	13,424,919
Unrealised fair value gains	1,589,256	-	-	1,589,256
Change in allowance for impairment	-	177,646	(309,555)	(131,909)
Disposals	(6,961,936)	-	-	(6,961,936)
Accrued interest	60,145	28,181	-	88,326
At 31 December 2021	31,602,125	998,608	1,276,049	33,876,782
At 1 January 2022	31,602,125	998,608	1,276,049	33,876,782
Exchange differences	(8,842,204)	(402,071)	(513,777)	(9,758,052)
Impact of IAS 29 application	-	-	827,462	827,462
Additions	3,834,685	122,807	-	3,957,492
Unrealised fair value gains	2,835,465	-	-	2,835,465
Change in allowance for impairment	-	2,380	(397)	1,983
Disposals	(4,013,007)	-	-	(4,013,007)
Redemptions	-	(198,355)	-	(198,355)
Accrued interest	(19,166)	(16,302)	-	(35,468)
At 31 December 2022	25,397,898	507,067	1,589,337	27,494,302

8.4 Fair value measurements

Refer to note 4.3 to the consolidated financial statements.

Notes to the consolidated financial statements (continued)**9 Insurance and other receivables**

	2022 US\$	2021 US\$
Receivables arising from insurance and reinsurance contracts		
Amounts due from related parties (note 30)	53,228,398	58,577,011
Amounts due from insurance companies	88,313	91,570
Amounts due from reinsurers and retrocessionaires	381,005	426,139
Amounts due from contract holders (direct insurance business)	16,524,977	4,509,043
Other loans and receivables		
Advances to hospitals and other providers	2,891,494	244,545
Prepayments	138,875	93,044
Amounts due from employees	7,526	12,035
Other receivables	733,036	1,195,397
	<u>73,993,624</u>	<u>65,148,784</u>
Less: Provision for impairment	<u>(453,121)</u>	<u>(534,486)</u>
Total insurance and other receivables	<u><u>73,540,503</u></u>	<u><u>64,614,298</u></u>
The movement in provision for impairment is as follows:		
At 1 January	534,486	3,375,384
Exchange differences	(81,365)	(2,840,898)
At 31 December	<u><u>453,121</u></u>	<u><u>534,486</u></u>

(a) Classification

Insurance and other receivables comprise mainly from amounts due from related parties and receivables from policyholders and retrocessionaires in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. No interest is charged on outstanding receivables.

(b) Fair value

Due to the short-term nature of receivables, their carrying amount is considered to be the same as their fair value.

(c) Impairment and risk exposure

Unimpaired insurance and other receivables are expected to be fully recoverable. It is not the practice of the Group to obtain collateral against premium and other receivables and are therefore unsecured.

There is no significant concentration of credit risk with specific clients. The concentration with brokers is not expected to result in a loss to the Group. Refer to note 4.2.2 for more information needed to credit risk on insurance and other receivables.

Notes to the consolidated financial statements (continued)**10(a) Amounts due from banks**

At 31 December 2022 and 2021, short term bank deposits in Lebanese commercial banks with original maturity of less than three months were not classified as part of cash and cash equivalents as such deposits are "restricted" and are therefore considered to be subject to substantial credit risk.

	2022 US\$	2021 US\$
Non-current – inside Lebanon		
Bank deposits with an original maturity of more than one year	473,949	525,140
Current – inside Lebanon		
Bank deposits with an original maturity of more than three months but less than one year	32,903	479,091
Short-term bank deposits with an original maturity of less than three months	437,264	3,497,165
Current accounts	6,178,758	47,863
Accrued interest	973	-
	<u>7,123,847</u>	<u>4,549,259</u>
Allowance for impairment of amounts due from banks	(995,666)	(1,306,180)
Total amounts due from banks, net	<u><u>6,128,181</u></u>	<u><u>3,243,079</u></u>

At 31 December 2022, bank deposits of US\$ 0.09 million (2021 – US\$ 0.16 million) are blocked in favour of the Lebanese Ministry of Economy and Trade and other parties and an amount of US\$ 0.92 million (2021 – US\$ 0.99 million) (gross of impairment) earmarked against unit linked liabilities and investment contracts.

The movement in the provision for impairment of bank deposits is as follows:

	2022 US\$	2021 US\$
At 1 January	1,306,180	14,475,655
Exchange differences	(525,910)	(13,514,331)
Increase in provision	215,396	344,856
At 31 December	<u><u>995,666</u></u>	<u><u>1,306,180</u></u>

10(b) Other bank balances

Other bank balances	<u><u>5,579,873</u></u>	<u><u>2,085,172</u></u>
---------------------	-------------------------	-------------------------

At 31 December 2022, other bank balances included an amount of US\$ 3.58 million (2021 – US\$ 2.09 million) earmarked against unit linked liabilities and investment contracts. These balances are held outside Lebanon and are therefore not subject to local bank restrictions.

For information related to credit risk on other bank balances refer to note 4.2.2 (iv).

Notes to the consolidated financial statements (continued)**11 Cash and cash equivalents**

	2022 US\$	2021 US\$
Outside Lebanon		
Bank deposits with an original maturity of less than three months	21,120,316	-
Current accounts	18,275,718	13,323,156
Inside Lebanon		
Unrestricted current accounts (refer to (i) below)	1,644,076	5,881,901
Cheques for collection	3,215	39,118
Cash on hand	763,844	2,222,601
	<u>41,807,169</u>	<u>21,466,776</u>

(i) At 31 December 2022, bank current accounts held with Lebanese commercial banks amounting to US\$ 1.64 million (2021 – US\$ 5.89 million) continue to be classified as cash and cash equivalents as these funds may be utilised by the subsidiary without limitations in Lebanon.

12 Share capital

At 31 December 2022 and 2021, the share capital of US\$ 16 million is comprised of 16,000,000 shares authorised and fully paid shares with a par value of US\$ 1 each. There is one class of ordinary shares. All shares issued carry equal voting rights.

13(a) Non-distributable reserve

The non-distributable reserve includes the legal reserve of the subsidiary. This reserve is established through appropriation from the subsidiary's retained earnings in accordance with local laws.

13(b) Translation reserve

This reserve includes foreign currency translation and inflation adjustments arising from the application of IAS 29.

Notes to the consolidated financial statements (continued)

14 Insurance liabilities and reinsurance assets

	2022 US\$	2021 US\$
Gross		
<i>General insurance contracts</i>		
- Claims reported and loss adjustment expenses (b)	68,036,253	102,077,442
- Unearned premiums provision (a)	38,304,165	18,257,280
- Claims incurred but not reported (b)	13,617,370	16,572,049
- Unexpired risk reserve	1,657,182	635,144
- Claims incurred but not enough reserved	446,385	398,369
	<u>122,061,355</u>	<u>137,940,284</u>
<i>Life insurance contracts</i>		
- Unit linked contracts (c)	18,189,201	21,723,131
- Mathematical provision (d)	2,296,523	907,495
- Claims reported and loss adjustment expenses	869,622	596,982
- Claims incurred but not reported	47,786	16,078
- Investment contracts	239,566	401,035
	<u>21,642,698</u>	<u>23,644,721</u>
Total insurance liabilities, gross	<u>143,704,053</u>	<u>161,585,005</u>
Recoverable from reinsurers		
<i>General insurance contracts</i>		
- Claims reported and loss adjustment expenses	43,439,169	95,239,821
- Unearned premiums provision	5,485,408	5,168,824
- Unexpired risk reserve	1,299	45,578
- Claims incurred but not reported	2,673,328	6,746,344
	<u>51,599,204</u>	<u>107,200,567</u>
<i>Life insurance contracts</i>		
- Mathematical provision	4,136,626	4,436,153
- Claims reported and loss adjustment expenses	1,582,256	860,033
- Claims incurred but not reported	82,088	150,840
	<u>5,800,970</u>	<u>5,447,026</u>
Total reinsurers' share of insurance liabilities	<u>57,400,174</u>	<u>112,647,593</u>

Notes to the consolidated financial statements (continued)

14 Insurance liabilities and reinsurance assets (continued)

	2022 US\$	2021 US\$
Net		
<i>General insurance contracts</i>		
- Claims reported and loss adjustment expenses (b)	24,597,084	6,837,621
- Unearned premiums provision (a)	32,818,757	13,088,456
- Claims incurred but not reported	10,944,042	9,825,705
- Unexpired risk reserves	1,655,883	589,566
- Claims incurred but not enough reserved	446,385	398,369
	<u>70,462,151</u>	<u>30,739,717</u>
<i>Life insurance contracts</i>		
- Unit linked contracts (c)	18,189,201	21,723,131
- Mathematical provision (d)	(1,840,103)	(3,528,658)
- Claims reported and loss adjustment expenses	(712,634)	(263,051)
- Claims incurred but not reported	(34,302)	(134,762)
- Investment contracts	239,566	401,035
	<u>15,841,728</u>	<u>18,197,695</u>
Total insurance liabilities, net	<u><u>86,303,879</u></u>	<u><u>48,937,412</u></u>

(a) *Unearned premiums provision*

Unearned premiums provision relating to direct insurance business amounted to US\$ 32.67 million (2021 – US\$ 13.16 million). The balance of US\$ 5.4 million (2021 – US\$ 5.02 million) originates from reinsurance business.

Notes to the consolidated financial statements (continued)**14 Insurance liabilities and reinsurance assets (continued)***(b) Claims reported and loss adjustment expenses*

The claims provisions relating to insurance and reinsurance contracts were reviewed by the Group's independent actuaries, Mr. Pierre Chidiac and Actuscope S.A.L.

In the independent actuaries' opinion:

- (i) the net outstanding claims provision makes a reasonable allowance in the aggregate for all unpaid losses and loss adjustment expenses, net of cession, under the terms of the Group's policies; and
- (ii) the net outstanding claims provision is computed in a manner that conforms to the appropriate actuarial standards of practice.

The total gross exposure on the Group from the devastating explosion of the Port of Beirut on 4 August 2020 was estimated at US\$ 122.8 million (2021 – US\$ 122.2 million) with a retrocession share of US\$ 118.9 million (2021 – US\$ 121.3 million). The net reinsurance claims incurred as reflected in the consolidated statement of comprehensive income for the year amounted to US\$ 4.18 million (2021 – US\$ 0.9 million). The Group is protected by retrocession arrangements including quota share and excess of loss treaties as well as a catastrophe excess of loss treaty that cap the overall exposure of the Group in relation to the Beirut Port event.

The explosion resulted in gross losses of a sufficient size to trigger full recovery on the related reinsurance contracts. The explosion, therefore, did not have a material impact on the Company's consolidated financial statements.

Despite the absence, as of date, of an official investigation report, the Group's retrocessionaires have provided approval for the Group to start the settlement of claims related to Beirut Port explosion falling under existing treaties, without the Group admitting liability and without prejudice and with the right to recover from the insured any indemnity paid, in case official investigations result in the claim not being covered by the insurance policies. During 2022, the claims paid related to the explosion amounted to US\$ 51.32 million (2021 – US\$ 40.3 million) and the gross outstanding claims amounted to US\$ 22.9 million (2021 – US\$ 81.9 million).

Notes to the consolidated financial statements (continued)**14 Insurance liabilities and reinsurance assets (continued)***(c) Unit linked liabilities*

The movement in the unit linked liabilities during the year is as follows:

	2022	2021
	US\$	US\$
At 1 January	21,723,131	25,575,985
Exchange differences	(8,746,418)	(12,296,227)
Premiums written allocated to unit linked assets	4,520,186	7,065,628
Changes in unit prices	849,571	3,130,553
Surrenders and other terminations during the year	(157,269)	(1,752,808)
At 31 December	<u>18,189,201</u>	<u>21,723,131</u>

(d) Mathematical provision

At 31 December 2022, mathematical provision and unit linked liabilities held by the subsidiary in Lebanon were certified by an independent actuary, Actuscope S.A.L., whose report dated 24 February 2023 confirms that these provisions which were held in US Dollars and translated at the official exchange rate in Lebanon at the level of the subsidiary, are determined in accordance with sound actuarial principles.

The movement in the mathematical provision during the year is as follows:

	2022	2021
	US\$	US\$
At 1 January	907,495	9,856,103
Exchange differences	(365,387)	(8,920,265)
Valuation of premiums received	1,860,767	143,811
Liabilities released for payments on death, surrenders and other terminations during the year	(106,352)	(172,154)
At 31 December	<u>2,296,523</u>	<u>907,495</u>

Notes to the consolidated financial statements (continued)**14 Insurance liabilities and reinsurance assets (continued)***(e) Movements in insurance liabilities and reinsurance assets**(i) General claims and loss adjustment expenses*

	Gross US\$	Reinsurance US\$	Net US\$
At 1 January 2022			
Outstanding claims and loss adjustment expense reserve	102,077,442	95,239,821	6,837,621
Incurred but not reported	16,572,049	6,746,344	9,825,705
	118,649,491	101,986,165	16,663,326
Claims paid during the year	(73,397,460)	(56,199,945)	(17,197,515)
Exchange differences	(47,772,032)	(41,062,851)	(6,709,181)
Increase in liabilities	84,173,624	41,389,128	42,784,496
At 31 December 2022	81,653,623	46,112,497	35,541,126
At 1 January 2021			
Outstanding claims and loss adjustment expense reserve	173,368,172	136,528,159	36,840,013
Incurred but not reported	18,816,525	6,017,091	12,799,434
	192,184,697	142,545,250	49,639,447
Claims paid during the year	(40,404,774)	(37,978,882)	(2,425,892)
Exchange differences	(45,908,910)	(4,052,076)	(41,856,834)
Increase in liabilities	12,778,478	1,471,873	11,306,605
At 31 December 2021	118,649,491	101,986,165	16,663,326

(ii) Reserve for unearned premiums

The movement in the reserve for unearned premiums for general insurance contracts is summarised below:

	Gross LL'000	Reinsurance LL'000	Net LL'000
At 1 January 2022	18,257,280	5,168,824	13,088,456
Increase during the year	31,945,248	2,869,547	29,075,701
Exchange differences	(4,901,003)	(1,911,024)	(2,989,979)
Release during the year	(6,997,360)	(641,939)	(6,355,421)
At 31 December 2022	38,304,165	5,485,408	32,818,757
At 1 January 2021	74,790,199	8,292,742	66,497,457
Increase during the year	7,051,906	606,296	6,445,610
Exchange differences	(57,546,282)	(2,625,598)	(54,920,684)
Release during the year	(6,038,543)	(1,104,616)	(4,933,927)
At 31 December 2021	18,257,280	5,168,824	13,088,456

These provisions represent the liability for general insurance contracts for which the Group's obligations had not expired at year-end.

Notes to the consolidated financial statements (continued)**14 Insurance liabilities and reinsurance assets (continued)****Claims development tables**

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the tables reconciles the cumulative claims to the amount appearing in the statement of financial position. An underwriting year basis is considered to be most appropriate for the reinsurance contracts as issued by the Group.

The detailed disclosures do not include the development tables for the medical insurance liabilities of Bankers Assurance S.A.L. ("Bankers") amounting to US\$ 12.44 million, as most of those incurred claims are settled within a short period of time (not exceeding 12 months) following their occurrence.

14 Insurance liabilities and reinsurance assets (continued)

All reinsurance claims - gross

[illegible]

Notes to the consolidated financial statements (continued)**15 Accounts payable**

	2022 US\$	2021 US\$
Balances due to related parties (note 30)	6,721,838	8,857,238
Taxes and balances due to the local authorities	1,444,351	651,387
Due to brokers and insurance companies	21,993,649	10,816,653
Provision for liabilities and charges	51,938	170,112
Other payables	2,837,597	714,206
	<u>33,049,373</u>	<u>21,209,596</u>

16 Retirement benefit obligations

The movement in the liability is as follows:

At 1 January	148,963	2,230,390
Provision charged to consolidated statement of comprehensive income (note 25)	2,268,401	3,087
Effects of exchange difference	(22,066)	(2,083,886)
Utilised during the year	(4,280)	(628)
At 31 December	<u>2,391,018</u>	<u>148,963</u>

17 Net insurance premium revenue**General insurance contracts**

- Insurance premium revenue	76,536,478	29,857,091
- Reinsurance premium revenue	17,494,017	23,855,057
- Change in unearned premiums provision	(20,685,032)	(8,866,390)

Premium revenue arising from general contracts	<u>73,345,463</u>	<u>44,845,758</u>
---	-------------------	-------------------

- Insurance premium revenue ceded to external parties	(13,954,035)	(7,554,089)
- Reinsurance premium revenue ceded to external parties	(5,376,833)	(7,021,277)
- Change in reinsurance share of unearned premiums provision	1,629,632	4,006,589

Premium revenue ceded to reinsurers	<u>(17,701,236)</u>	<u>(10,568,777)</u>
--	---------------------	---------------------

Net general insurance premium revenue	<u>55,644,227</u>	<u>34,276,981</u>
--	-------------------	-------------------

Life insurance contracts

-Insurance premium revenue	5,783,455	2,899,428
-Insurance premium revenue ceded to reinsurers	(3,529,480)	(2,972,385)

Net life insurance premium revenue	<u>2,253,975</u>	<u>(72,957)</u>
---	------------------	-----------------

Notes to the consolidated financial statements (continued)**17 Net insurance premium revenue (continued)**

	2022 US\$	2021 US\$
General and life insurance contracts		
- Premium revenue	82,319,933	32,756,519
- Reinsurance premium revenue	17,494,017	23,855,057
- Change in unearned premiums provision	<u>(20,685,032)</u>	<u>(8,866,390)</u>
Premium revenue	<u>79,128,918</u>	<u>47,745,186</u>
- Insurance premium revenue ceded to reinsurers	(17,483,515)	(10,526,474)
- Reinsurance premium revenue ceded to reinsurers	(5,376,833)	(7,021,277)
- Change in reinsurance share of unearned premiums provision	<u>1,629,632</u>	<u>4,006,589</u>
Premium revenue ceded to reinsurers	<u>(21,230,716)</u>	<u>(13,541,162)</u>
Net premium revenue	<u><u>57,898,202</u></u>	<u><u>34,204,024</u></u>

18 Other investment income

Dividend income	1,085,444	444,947
Interest income on loans from related parties (note 30)	12,359	24,904
Other	11,845	25,016
	<u><u>1,109,648</u></u>	<u><u>494,867</u></u>

19 Fair value gains on financial assets at fair value through profit or loss

	2022 US\$	2021 US\$
Realised (loss) gain on sale of financial assets	(29,977)	560,546
Unrealised fair value gain	<u>3,556,326</u>	<u>1,589,256</u>
	<u><u>3,526,349</u></u>	<u><u>2,149,802</u></u>

Notes to the consolidated financial statements (continued)

20 Commission and profit participation income

	2022 US\$	2021 US\$
General insurance contracts		
Reinsurance commissions and profit participation received	1,470,229	1,173,336
Unearned reinsurance commissions at beginning of year	320,002	594,656
Unearned reinsurance commissions at end of year	(598,064)	(320,002)
Exchange differences	(40,539)	(406,841)
	<u>1,151,628</u>	<u>1,041,149</u>
Life insurance contracts		
Reinsurance commission and profit participation received	795,288	588,776
	<u>795,288</u>	<u>588,776</u>
Total general and life reinsurance commissions and profit participation	<u>1,946,916</u>	<u>1,629,925</u>

21 Net insurance benefits and claims

Life insurance benefits		
Surrenders	2,461,222	2,208,391
Increase in liabilities	(2,306,371)	545,305
Change in reinsurers' share of liabilities	299,527	14,197
	<u>454,378</u>	<u>2,767,893</u>
Insurance claims and loss adjustment expenses		
<i>(a) Life insurance contracts</i>		
Gross claims paid	65,025	375,625
Change in the provision for outstanding claims	304,348	(15,508)
	<u>369,373</u>	<u>360,117</u>
Gross claims incurred	<u>369,373</u>	<u>360,117</u>
Reinsurers' share of claims paid	(782,505)	(1,551,224)
Change in the reinsurers' share of provision for outstanding claims	(653,471)	10,773
	<u>(1,435,976)</u>	<u>(1,540,451)</u>
Reinsurers' share of claims incurred	<u>(1,435,976)</u>	<u>(1,540,451)</u>
Life insurance claims incurred, net of reinsurance	<u>(1,066,603)</u>	<u>(1,180,334)</u>

Notes to the consolidated financial statements (continued)

21 Net insurance benefits and claims (continued)

	2022 US\$	2021 US\$
<i>(b) General insurance contracts</i>		
Gross claims paid	73,397,460	40,404,774
Change in the provision for outstanding claims and claims incurred but not reported	(36,947,852)	(14,599,558)
Change in unexpired risk reserve	1,022,038	(1,001,454)
Gross claims incurred	37,471,646	24,803,762
Reinsurers' share of claims paid	(56,199,945)	(37,978,882)
Change in the reinsurers' share of unexpired risk reserve	44,279	290,149
Change in the reinsurers' share of provision for outstanding claims and claims incurred but not reported	55,873,668	12,441,702
Reinsurers' share of claims incurred	(281,998)	(25,247,031)
General insurance claims incurred, net of reinsurance	37,189,648	(443,269)
Total life and general insurance contracts (a+b)		
Gross claims paid	73,462,485	40,780,399
Change in the provision for outstanding claims and claims incurred but not reported	(36,643,504)	(14,615,066)
Change in unexpired risk reserve	1,022,038	(1,001,454)
Gross claims incurred	37,841,019	25,163,879
Reinsurers' share of claims paid	(56,982,450)	(39,530,106)
Change in the reinsurers' share of unexpired risk reserve	44,279	290,149
Change in the reinsurers' share of provision for outstanding claims and claims incurred but not reported	55,220,197	12,452,475
Reinsurers' share of claims incurred	(1,717,974)	(26,787,482)
Insurance claims and loss adjustment expenses net of reinsurance	36,123,045	(1,623,603)

Notes to the consolidated financial statements (continued)**22 Expenses for acquisition of insurance contracts**

	2022 US\$	2021 US\$
General insurance contracts		
Costs incurred for acquisition of insurance contracts	20,962,738	11,459,170
Deferred acquisition costs at beginning of year	4,034,052	17,151,693
Deferred acquisition costs at end of year	(7,506,435)	(4,034,052)
Exchange differences	(379,099)	(14,939,181)
	<u>17,111,256</u>	<u>9,637,630</u>
Life insurance contracts		
Costs incurred for acquisition of insurance contracts	901,194	803,021
Total expenses for acquisition of life and general insurance contracts	<u><u>18,012,450</u></u>	<u><u>10,440,651</u></u>

23 Withholding taxes

In 2022, the key subsidiary in Lebanon declared and paid dividends to the Group. Under Lebanese income tax laws, such dividend distributions are subject to 10% withholding tax. During 2022, the withholding tax expense amounted to US\$ 525,000 (2021 – US\$ 525,500).

24 Administrative and other expenses

	2022 US\$	2021 US\$
Employee benefit expense (note 25)	7,016,756	1,706,736
Professional fees	815,482	749,786
Management fees	42,000	-
Taxes	564,389	196,721
Postage, telephone and telecommunication charges	156,063	78,940
Depreciation charge (note 5)	248,055	211,052
Bank charges	369,154	87,519
Stationery expenses	213,219	157,852
Repairs and maintenance	266,241	332,068
Depreciation charge on right-of-use assets	160,001	113,257
Administration fees (note 30)	175,000	-
Utilities	284,667	72,469
Advertising costs	37,638	15,098
Entertainment expenses	34,298	35,427
Insurance expenses	4,890	12,010
Gifts and donations	43,093	14,861
Amortisation charge	14,960	25,351
Rent	658	438
Provision for risk and charges	-	175,045
Other expenses	790,490	213,904
	<u><u>11,237,054</u></u>	<u><u>4,198,534</u></u>

Notes to the consolidated financial statements (continued)**25 Employee benefit expense**

	2022 US\$	2021 US\$
Wages and salaries	3,270,016	1,193,119
Social security costs	86,233	145,342
Bonuses	1,384,623	314,031
Pension costs - defined benefit plan (note 16)	2,268,401	3,087
Other staff costs	7,483	51,157
	<u>7,016,756</u>	<u>1,706,736</u>

26 Income tax

The income tax expense relates to the key subsidiary's operations in Lebanon. The movement in current income tax liability is as follows:

	2022 US\$	2021 US\$
At 1 January	182,208	2,198,044
Exchange differences	(73,803)	(2,052,073)
Income tax expense (see (i) below)	1,420,479	182,780
Income tax paid during the year	(108,405)	(146,543)
At 31 December	<u>1,420,479</u>	<u>182,208</u>

The income tax expense is comprised of the following:

Tax on insurance income (see (ii) below)	376,227	147,285
Tax on ceded premiums (originating from direct insurance contracts)	429,096	35,495
Other taxes (refer to below)	615,157	-
Income tax expense (i)	<u>1,420,480</u>	<u>182,780</u>

During 2022, for the purposes of the income tax calculation, management applied the average Sayrafa rate per month for the translation of premiums written, commission received as well as other income received in foreign currency into the Lebanese Pound, instead of applying the official exchange rate. This resulted in an adjustment to income tax expense, which was initially computed according to the official exchange rate of US\$ 0.62 million.

	2022 US\$	2021 US\$
The tax on insurance income is computed as follows:		
Assumed profits at a weighted average rate of 6.66% (2021– 6.8%)	2,213,100	866,383
Income tax rate	17%	17%
Tax on insurance income (ii)	<u>376,227</u>	<u>147,285</u>

Open tax years that are subject to examination and acceptance by the fiscal authorities comprise the financial years 2017 till 2022.

Notes to the consolidated financial statements (continued)**27 Dividends**

On 8 December 2022, the general assembly convened and approved the distribution of dividends amounting to US\$ 7.5 million in respect of 2021 (2021 – US\$ 5 million in respect of 2020). The amount was paid subsequent to the consolidate statement of financial position date.

28 Cash generated from operations**Cash flows from operating activities**

		2022 US\$	2021 US\$
	Notes		
Profit of the year before tax		(18,968,342)	12,683,886
Adjustments for:			
Amortisation	24	14,960	25,351
Depreciation	5, 24	248,055	211,052
Depreciation charge on right-of-use assets		160,001	113,257
Net monetary loss		33,414,844	11,174,059
Retirement benefit obligation	16	2,268,401	3,087
Interest expense on lease liabilities		12,655	28,159
Interest and dividend income	18	(1,567,573)	(1,235,559)
Impairment loss on debt securities	8	(1,983)	(177,646)
Impairment loss on equity securities	8.3(d)	-	309,555
Impairment loss on bank deposits	10(a)	215,395	344,856
Impairment loss on property and equipment	5,6	-	7,407,581
(Increase) decrease in amounts due from banks	10(a)	(2,675,144)	2,452,245
Increase in financial assets		(2,546,127)	(8,140,565)
Decrease in insurance liabilities	14	(14,936,434)	(24,534,570)
Increase in other bank balances		(3,494,701)	(885,623)
Decrease in reinsurance assets	14	53,634,844	52,387,281
Increase in deferred acquisition costs	22	(3,111,582)	(206,913)
Increase (decrease) in unearned reinsurance commissions	20	404,336	(235,261)
Retirement benefits obligations paid	16	(4,280)	(628)
Increase in accounts receivable		(8,926,205)	(12,144,357)
Decrease (increase) in accounts payable		11,839,777	(4,659,744)
Cash generated from operations		<u>45,980,897</u>	<u>34,919,503</u>

The Group classifies the cash flows for the purchase and disposal of financial assets in its operating cash flows as the purchases are funded from the cash flows associated with the origination of insurance contracts, net of the cash flows for payments of insurance benefits and claims.

Notes to the consolidated financial statements (continued)**29 Contingent liabilities**

	2022 US\$	2021 US\$
<i>(a) Letters of guarantee</i>		
Letters of guarantee in favour of the Ministry of Economy and Trade	68,645	109,626
Letters of guarantee in favour of other parties	96,183	168,648
Corporate guarantee	<u>26,599</u>	<u>44,528</u>
<i>(b) The Group's key subsidiary is involved in litigation arising in the ordinary course of its business. Based on legal counsel's opinion, management does not expect that the outcome of these actions will have a material effect on the results of the Group's operations.</i>		
<i>(c) The years 2011 to 2022 remain subject to examination and acceptance by the National Social Security Fund authorities on the level of the Group's key subsidiary.</i>		

30 Related party transactions and balances

Related parties comprise the Group's immediate and ultimate parent companies, their subsidiaries and associated companies and the Group's key management and companies under common control or significant influence. The Group maintains significant balances and transactions with these related parties which arise mainly from insurance and reinsurance transactions as follows:

	2022 US\$	2021 US\$
<i>Transactions from reinsurance operations</i>		
<i>(i) Reinsurance premium revenue</i>		
<i>Entities under common control</i>		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L. (UAE)	7,059	847,003
Nasco Gulf Insurance Agency L.L.C. (UAE)	<u>166,136</u>	<u>-</u>
<i>(ii) Reinsurance claims paid</i>		
<i>Entities under common control</i>		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L. (UAE)	(336,910)	(116,118)
Nasco Gulf Insurance Agency L.L.C. (UAE)	<u>(50,578)</u>	<u>(12,368)</u>
<i>(iii) Expenses for acquisition of reinsurance contracts</i>		
<i>Entities under common control</i>		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L. (UAE)	(1,765)	(76,875)
Nasco Gulf Insurance Agency L.L.C. (UAE)	(34,723)	-
Nasco International Limited	<u>(192,745)</u>	<u>-</u>

Notes to the consolidated financial statements (continued)**30 Related-party transactions and balances (continued)*****Transactions from reinsurance operations (continued)***

	2022	2021
	US\$	US\$
<i>(iv) Outstanding Claims</i>		
<i>Entities under common controls</i>		
Al Ittihad Al Watani (L'Union Nationale) Societe Generale d'Assurances du Proche Orient S.A.L. (UAE)	(479,890)	(549,532)
Nasco Gulf Insurance Agency L.L.C. (UAE)	(309,736)	(263,392)
	<hr/>	<hr/>
<i>Transactions from insurance operations</i>		
<i>(i) Insurance premium revenue</i>		
<i>Entities under common control</i>		
Nasco Lebanon Insurance Brokers SAL (Lebanon)	47,575	16,695
Nasco France SA (France)	15,247	6,731
Best Assistance SAL (Lebanon)	92,242	32,208
Others	362,141	117,673
	<hr/>	<hr/>
<i>(ii) Commission expenses</i>		
<i>Entities under common control</i>		
Nasco Lebanon Insurance Brokers SAL (Lebanon)	(1,341,289)	(490,973)
Other	(30,782)	(19,468)
	<hr/>	<hr/>
<i>(iii) Claims administration fees</i>		
<i>Entity under common control</i>		
Best Assistance SAL (Lebanon)	(2,877,562)	(630,523)
Nasco France S.A.	(175,000)	-
	<hr/>	<hr/>
<i>Other non-insurance related transactions</i>		
<i>(i) Consulting fees</i>		
<i>Entity under common control</i>		
Nasco Management Services Limited (Bermuda)	(370,582)	(22,415)
	<hr/>	<hr/>
<i>(ii) Interest income</i>		
<i>Entity under common control</i>		
Nasco Insurance Holding SAL (Lebanon)	12,359	24,904
	<hr/>	<hr/>
<i>(iii) Key management compensation</i>		
Key management	(551,062)	(221,804)
	<hr/>	<hr/>
<i>(iv) Management fees</i>		
<i>Entity under common control</i>		
Nasco Reinsurance Brokers DIFC Limited	(42,000)	-
	<hr/>	<hr/>
<i>(v) Dividends declared</i>		
Nasco Insurance Group (Bermuda)	(8,134,013)	(5,719,827)
	<hr/>	<hr/>

Notes to the consolidated financial statements (continued)**30 Related-party transactions and balances (continued)***Outstanding balances arising from insurance, reinsurance and other activities*

	2022 US\$	2021 US\$
Amounts due to related parties (note 15)		
<i>Entities under common control</i>		
Nasco International Limited (Bermuda)	-	5,508,907
Nasco Reinsurance Brokers S.A.L.(Lebanon)	5,265,873	2,856,102
Nasco Insurance Agency L.L.C. (UAE)	1,388,941	422,469
Other (Lebanon)	67,024	69,760
	6,721,838	8,857,238
Amounts from related parties (note 9)		
<i>Entities under common control</i>		
Nasco France S.A. (France)	37,349,779	27,121,270
Nasco Insurance Group Limited (Bermuda)	8,629,031	19,750,405
Nasco Lebanon Insurance Brokers S.A.L. (Lebanon)	1,773,991	135,841
Nasco Immobiliere S.A.L	1,099,190	1,735,863
Al Ittihad Al Watani (L'Union Nationale) (Lebanon)	916,773	-
Nasco Insurance Agency (UAE)	890,573	-
Nasco Management Services Lebanon S.A.L. (Lebanon)	545,944	342,294
Nasco Gulf Insurance Agency LLC (UAE)	531,952	531,952
Best Assistance S.A.L. (Lebanon)	13,387	2,571,009
Nasco Insurance Holding S.A.L. (Lebanon)	276,209	5,564,543
Nasco Services Holding S.A.L. (Lebanon)	46,974	78,287
Nasco Solutions S.A.L. (Lebanon)	42,628	71,138
Nasco Group Limited (Bermuda)	78,467	196,823
Nasco Reinsurance Saudi Arabia for Insurance and Reinsurance Broking L.L.C. (Kingdom of Saudi Arabia)	497,636	400,416
Nasco Reinsurance Holding S.A.L. (Lebanon)	115,142	8,477
Other	420,722	68,693
	53,228,398	58,577,011

Amounts due from related parties of US\$ 53.23 million (2021 – US\$ 58.58 million) include:

- (i) a loan of US\$ 5 million provided by the Group to an entity under common control. The loan is subject to interest of 4%. During 2022, interest income amounted to US\$ 12 thousand (2021 – US\$ 25 thousand). The loan becomes due for repayment when the related party entity has fully repaid its own bank borrowings;
- (ii) an amount of US\$ 1.09 million paid on behalf of an entity under common control to purchase plots of land in Lebanon. The plots are mortgaged in favour of the Group;
- (iii) an amount of US\$ 917 thousand paid on behalf an entity under common control during 2022 to purchase equity securities in a private company; and
- (iv) an amount of US\$ 37.3 million collected by an entity under common control on behalf of the Company from reinsurers outside Lebanon relating to the reinsurance share of Beirut Port explosion claims

Other balances due to and from related parties do not bear interest and are payable on demand.

Notes to the consolidated financial statements (continued)**31 Scope of consolidation**

The Group's subsidiaries subject to consolidation are the following:

		Country of incorporation		Percentage ownership	
				2022	2021
				%	%
Bankers Assurance S.A.L.("Key subsidiary")	Lebanon			87.5	87.5
Insurance Brokers Network S.A.R.L.	Lebanon			87.5	87.5
Bankers Life S.A.L.	Lebanon			87.5	87.5

32 Leases*(i) Amounts recognised in the consolidated statement of financial position*

The consolidated statement of financial position shows the following amounts relating to leases:

	2022	2021
	US\$	US\$
Right-of-use asset	1,250,638	1,065,180
Lease liabilities		
Current	7,368	12,335
Non-current	64,793	103,359
	72,161	115,694

The movement in the right of use assets during the year is as follows:

	2022	2021
	US\$	US\$
At 1 January	1,065,180	5,945,655
Add: Impact of IAS 29	760,998	780,177
Deduct: Depreciation expense for the year	(160,001)	(113,257)
Exchange difference	(428,875)	(5,550,806)
Other	13,336	3,411
At 31 December	1,250,638	1,065,180

(ii) Amounts recognised in the consolidated statement of comprehensive income

The consolidated statement of comprehensive income shows the following amounts relating to leases:

	2022	2021
	US\$	US\$
Depreciation charge of right-of-use assets (note 24)	160,001	113,257
Interest expense (included in finance costs)	12,655	13,580
Expenses relating to short term leases (included in administrative expenses, note 24)	658	438

Notes to the consolidated financial statements (continued)**33 Net exchange gains**

	2022	2021
	US\$	US\$
Foreign exchange gain from the change in spot rate (i)	13,077,241	9,181,179
Exchange losses on conversion of "restricted" bank balances at rates other than the official exchange rate (ii)	3,362,287	(832,482)
Exchange losses on settling claims at rates other than the official exchange rate (iii)	(807,290)	-
Other	(10,285)	-
	15,670,601	8,348,697

- (i) As mentioned in note 4.2.2, Lebanon has been experiencing since 2019 a severe economic and financial crisis that has impacted its economic and business environment. This situation resulted in various exchange rates being used for the translation of foreign currency transactions and balances into the Lebanese Pound functional currency for the Group's key subsidiary in Lebanon and their translation into the Group's US Dollar presentation currency.

As disclosed in note 3.2.3, the management of the Group's subsidiaries considered the Sayrafa rate as an appropriate spot rate to be used for the translation of "unrestricted" foreign currency balances and transactions to the functional currency of the subsidiaries in Lebanon. This resulted in an exchange gain of US\$ 18.52 million which was recognised in the consolidated statement of comprehensive income for the year ended 31 December 2022.

- (ii) During 2022, in light of current local banking restrictions and the shortage of funds in the banking sector, the Group's key subsidiary has had recourse to the foreign exchange market to sell unrestricted US Dollars ("fresh dollars") for Lebanese Pounds bank notes. The exchange rate used in these transactions was significantly in excess of the official exchange rate of the US Dollar to the Lebanese Pound as designated by the Central Bank. This resulted in an exchange gain of US\$ 3.36 million in the consolidated statement of comprehensive income (2021 – loss of US\$ 0.83 million as a result of selling restricted US Dollar in exchange of unrestricted US Dollars).
- (iii) During 2022, the Group's key subsidiary settled a portion of its US Dollar denominated claims in Lebanese Pounds, at exchange rates higher than the official exchange rate. This resulted in an exchange loss of US\$ 0.81 million (2021 – Nil).

Notes to the consolidated financial statements (continued)**34 Events occurring after the reporting period**

There have been no events subsequent to the consolidated statement of financial position date that would significantly affect the financial position reported in the consolidated financial statements as at and for the year ended 31 December 2022.