Insurance House – P J S C

Reports and condensed interim financial information
(Unaudited)
For the nine months period ended 30 September 2024

Insurance House – P J S C

Abu Dhabi - United Arab Emirates

Table of contents **Pages**

Chairman's report	1 - 2
Report on review of condensed interim financial information	3 – 4
Condensed interim statement of financial position	5
Condensed interim statement of profit or loss and other comprehensive income	6 - 7
Condensed interim statement of changes in equity	8
Condensed interim statement of cash flows	9
Notes to the condensed interim financial information	10 - 42

دار التأمين
INSURANCE HOUSE
P.J.S.C - ش.م.ع

Chairman's Report for the nine months ended 30 September 2024

On behalf of the Board of Directors, I present the condensed interim financial statements of Insurance House PJSC (IH) as of 30 September 2024 and the results of its operations for the nine months ended 30 September 2024.

IH has registered a significantly improved financial performance in the first three quarters of 2024, in comparison to the same period of the previous year. This is indeed a creditable achievement, especially when viewed in the context of the unprecedented weather conditions experienced in the UAE during the first half of the year and the resultant adverse impact on the UAE Insurance industry as a whole. The Loss of AED 12.46 million registered in the first three quarters of 2024 is significantly lower than the Loss of AED 32.58 million logged in the corresponding period of the previous year. A number of strategic initiatives and corrective actions initiated by the IH Management since July 2023 are beginning to bear fruit, across all business lines and Motor business in particular. The risk-reward ratio in the Motor business is witnessing a steady improvement in line with our revised Motor business underwriting strategies and pricing models.

Despite our strategic approach to underwrite higher quality business only, Insurance Revenue for YTD 30 September 2024 was higher at AED 214.70 million compared to AED 185.05 million in the corresponding period of the previous year. Insurance Service Result for the three quarters ending 30 September 2024 (after adjustments for Reinsurance Contracts Held), was a remarkably reduced loss of only AED 10.38 million, compared to a loss of AED 33.44 million registered in the corresponding period of the previous year.

دار التأمين ش.م.ع.: ص.ب ١٢٩٩٢١، أبوظبي، أ.ع.م: هاتف: ٤٤٤ ٤٩٣٤ (٢) ٩٧١+ فاكس: ٤٠٠ ٤٩٣٤ (٢) ٩٧١+
Insrance House P.J.S.C; P.O.Box 129921, Abu Dhabi, U.A.E; Tel: +971 (2) 4934 444; Fax: +971 (2) 4934 400

Public Joint Stock Company and the share Capital is : AED 118,780,500 شركة مساهمة عامة برأس مال وقدره ١١٨،٧٨٠،٥٠٠ درهم إماراتي
Confidential

دار التأمين
INSURANCE HOUSE
P.J.S.C - ش.م.ع

Net Income from Investments for the three quarters ending September 2024 was lower at AED 1.38 million compared to AED 3.62 million in the corresponding period of the previous year. This is primarily due to the planned and systematic reduction in the size of our equity and fixed income positions, to bolster liquidity buffers. The Liquidity position of the Company continues to be robust, with Cash and Cash equivalents as of 30 September 2024 accounting for over 15% of Total Assets.

With continued shareholder support, strategic direction of the IH Board and untiring efforts of IH Management and Staff, we are firmly on track to restore operating profitability in the calendar quarters ahead. Going forward, profits from core insurance activities will be driven by improved digital delivery capabilities, further fine-tuning of risk underwriting techniques and streamlined claims management processes.

On behalf of the Board of Directors,

Mohammed Abdulla Jumaa Alqubaisi
Chairman

Abu Dhabi
14 November 2024

دار التأمين ش.م.ع.: ص.ب ١٢٩٩٢١، أبوظبي، أ.ع.م: هاتف: ٤٤٤ ٤٩٣٤ (٢) ٩٧١+ فاكس: ٤٠٠ ٤٩٣٤ (٢) ٩٧١+
Insrance House P.J.S.C; P.O.Box 129921, Abu Dhabi, U.A.E; Tel: +971 (2) 4934 444; Fax: +971 (2) 4934 400
Public Joint Stock Company and the share Capital is : AED 118,780,500 شركة مساهمة عامة برأس مال وقدره ١١٨،٧٨٠،٥٠٠ درهم إماراتي
Confidential

Crowe Mak
كـرو مـاك
Office No. 1747, Level 17
The Offices World Trade Center
Hamdan Street,
P.O. Box 109460
Abu Dhabi, U.A.E.
T: +971 2 678 1130
abudhabi@crowe.ae
www.crowe.ae

Ref: UN/AUH-B-337/November 24

Report on review of condensed interim financial information

To,
The Shareholders
Insurance House - P J S C
Abu Dhabi, United Arab Emirates

Introduction

We have reviewed the condensed interim financial information of Insurance House - P J S C (the "Company"), which comprise the condensed interim statement of financial position as at 30 September 2024, and the related condensed interim statement of profit or loss and other comprehensive income for the three months and nine months period then ended, the condensed interim statement of changes in equity and the condensed interim statement of cash flows for the nine months period then ended and other related explanatory notes. Management is responsible for the preparation and fair presentation of these condensed interim financial information in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on the condensed interim financial information based on our review.

Scope of Review

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

Emphasis of Matter

As stated in Note 1.1 of this condensed interim financial information, the Company has accumulated losses amounting to AED 132,157,025 as at 30 September 2024, (31 December 2023: AED 119,136,157) which resulted in the erosion of equity in excess of 50%. This has led to non-compliance by the Company with the solvency ratio as required by financial regulations for insurance companies issued by Central Bank of the UAE. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 1.2 to this condensed interim financial information which indicates that the Company has incurred loss of AED 12,459,486 for the nine months period ended 30 September 2024 (year ended 31 December 2023: AED 41,974,615) and has accumulated losses aggregating AED 132,157,025 as at 30 September 2024 (31 December 2023: AED 119,136,157). These events or conditions, along with other matters as set forth in Note 1.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34 “Interim Financial Reporting”.

For, Crowe Mak



Umesh Narayanappa
Partner
Registered Auditor Number: 1234
Abu Dhabi, United Arab Emirates
14 November 2024

Condensed interim statement of financial position as at 30 September 2024

	Notes	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
ASSETS			
Property and equipment	4	**6,054,482**	7,719,510
Financial assets	6	**8,664,907**	11,108,035
Statutory deposit	7	**6,000,000**	6,000,000
Reinsurance contract assets	5	**165,432,417**	111,451,345
Other receivables and prepayments	8	**10,281,670**	43,156,606
Cash and cash equivalents	9	**34,927,927**	37,779,645
Total Assets		**231,361,403**	217,215,141
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**118,780,500**	118,780,500
Tier 1 capital	10	**15,000,000**	15,000,000
Treasury shares	10	**(4,660,318)**	(4,660,318)
Accumulated losses		**(132,157,025)**	(119,136,157)
Reinsurance reserve	10	**1,181,192**	1,181,192
Investment revaluation reserve		**(446,534)**	(6,069)
Statutory reserve	10	**7,679,502**	7,679,502
Total Equity		**5,377,317**	18,838,650
LIABILITIES			
Provision for employees' end-of-service benefits	11	**2,745,188**	2,531,023
Insurance contract liabilities	5	**212,461,959**	178,175,765
Other payables	12	**10,776,939**	17,669,703
Total Liabilities		**225,984,086**	198,376,491
TOTAL EQUITY AND LIABILITIES		**231,361,403**	217,215,141

This condensed interim financial information was approved by the Board of Directors on 14 November 2024 and signed on their behalf by:

Mr. Mohammed Alqubaisi
Chairman

The accompanying notes from pages 10 to 42 form an integral part of these condensed interim financial information.

The report on review of the condensed interim financial information is set out on pages 3-4.

Condensed interim statement of profit or loss and other comprehensive income for the period ended 30 September 2024

	Notes	Three months period ended		Nine months period ended	
		30 September 2024 (Unaudited) AED	30 September 2023 (Unaudited) AED	**30 September 2024 (Unaudited) AED**	30 September 2023 (Unaudited) AED
Insurance revenue	5	**80,278,258**	56,984,444	**214,697,949**	185,048,333
Insurance service expenses	5	**(88,273,224)**	(59,688,619)	**(279,804,494)**	(228,692,789)
Insurance service result before reinsurance contracts issued		**(7,994,966)**	(2,704,175)	**(65,106,545)**	(43,644,456)
Allocation of reinsurance premiums	5	**(36,663,784)**	(32,118,433)	**(95,359,968)**	(112,355,590)
Amounts recoverable from reinsurance for incurred claims	5	**43,299,328**	29,106,552	**150,087,058**	122,557,574
Net income /(expense) from reinsurance contracts held		**6,635,544**	(3,011,881)	**54,727,090**	10,201,984
Insurance service result		**(1,359,422)**	(5,716,056)	**(10,379,455)**	(33,442,472)
Investment income	13	**544,336**	821,899	**1,381,435**	3,618,799
Insurance finance expense for insurance contracts issued	5	**(2,432,961)**	(1,533,489)	**(4,675,073)**	(5,994,204)
Reinsurance finance income for reinsurance contracts held	5	**1,009,882**	644,680	**1,919,148**	2,614,334
Net insurance finance expenses		**(1,423,079)**	(888,809)	**(2,755,925)**	(3,379,870)
Net insurance and investment results		**(2,238,165)**	(5,782,966)	**(11,753,945)**	(33,203,543)
Other income and expense		**(309,439)**	83,188	**(705,541)**	628,305
Loss for the period		**(2,547,604)**	(5,699,778)	**(12,459,486)**	(32,575,238)
Loss per share:					
Basic and diluted loss per share		**(0.02)**	(0.05)	**(0.10)**	(0.27)

The accompanying notes from pages 10 to 42 form an integral part of these condensed interim financial information.

The report on review of the condensed interim financial information is set out on pages 3-4.

Condensed interim statement of profit or loss and other comprehensive income for the period ended 30 September 2024 (continued)

	Notes	Three months period ended		Nine months period ended	
		30 September 2024 (Unaudited) AED	30 September 2023 (Unaudited) AED	**30 September 2024 (Unaudited) AED**	30 September 2023 (Unaudited) AED
Loss for the period		**(2,547,604)**	(5,699,778)	**(12,459,486)**	(32,575,238)
Other comprehensive (loss)/income					
Items that will not be reclassified subsequently to profit or loss:					
Gain on sale from investments at fair value through other comprehensive income – equity securities	6	**-**	1,625,351	**10,773**	1,625,351
Net unrealized gain/(loss) from investments at fair value through other comprehensive income – equity securities	6	**75,450**	26,138	**(84,519)**	1,223,480
Items that maybe reclassified subsequently to profit or loss					
Net unrealized gain from investments at fair value through other comprehensive income – debt securities	6	**-**	(59,566)	**-**	(25,985)
Total comprehensive loss for the period		**(2,472,154)**	(4,107,855)	**(12,533,232)**	(29,752,392)

The accompanying notes from pages 10 to 42 form an integral part of these condensed interim financial information.

The report on review of the condensed interim financial information is set out on pages 3-4.

Condensed interim statement of changes in equity for the period ended 30 September 2024

	Share capital	Tier 1 capital	Treasury shares	(Accumulated losses)	Reinsurance Reserve	Proposed Board of Directors' remuneration	Investment revaluation reserve	Statutory reserve	Total shareholders' equity
	AED	AED	AED	AED	AED	AED	AED	AED	AED
Balance at 1 January 2024 (Audited)	118,780,500	15,000,000	(4,660,318)	(119,136,157)	1,181,192	-	(6,069)	7,679,502	18,838,650
Net loss for the period	-	-	-	(12,459,486)	-	-	-	-	(12,459,486)
Other comprehensive income for the period	-	-	-	-	-	-	(73,746)	-	(73,746)
Tier 1 capital accrued coupon	-	-	-	(928,101)	-	-	-	-	(928,101)
Transfer of realized gain on disposal of investment at FVTOCI – debt	-	-	-	366,719	-	-	(366,719)	-	-
Balance at 30 September 2024 (Unaudited)	**118,780,500**	**15,000,000**	**(4,660,318)**	**(132,157,025)**	**1,181,192**	**-**	**(446,534)**	**7,679,502**	**5,377,317**
Restated									
Balance at 1 January 2023 (Audited)	118,780,500	15,000,000	(4,660,318)	(83,630,247)	650,848	392,248	7,198,968	7,679,502	61,411,501
Net loss for the period	-	-	-	(32,575,238)	-	-	-	-	(32,575,238)
Other comprehensive income for the period	-	-	-	-	-	-	2,822,846	-	2,822,846
Tier 1 capital accrued coupon	-	-	-	(928,129)	-	-	-	-	(928,129)
Payment of Board of Director's remuneration	-	-	-	-	-	(392,248)	-	-	(392,248)
Transfer of unrealized gain on disposal of investment at FVTOCI – equity	-	-	-	5,514,407	-	-	(5,514,407)	-	-
Transfer of unrealized loss on disposal of investment at FVTOCI – debt	-	-	-	-	-	-	69,752	-	69,752
Balance at 30 September 2023 (Unaudited)	118,780,500	15,000,000	(4,660,318)	(111,619,207)	650,848	-	4,577,159	7,679,502	30,408,484

The accompanying notes from pages 10 to 42 form an integral part of these condensed interim financial information.

The report on review of the condensed interim financial information is set out on pages 3-4.

Condensed interim statement of cashflow for the period ended 30 September 2024

	Notes	**Nine months period ended 30 September 2024 (Unaudited) AED**	Nine months period ended 30 September 2023 (Unaudited) AED
OPERATING ACTIVITIES			
Loss for the period		**(12,459,486)**	(32,575,238)
Adjustments for non-cash items:			
Depreciation of property and equipment	4	**2,088,488**	1,010,175
Net gain on disposal of investments	13	**(75,600)**	(1,502,114)
Un-realized loss/(gain) on investments measured at FVTPL	13	**(5,544)**	261,703
Gain on sale of property and equipment		**-**	(84,000)
Dividend income	13	**(47,627)**	(1,367,005)
Interest income	13	**(1,313,546)**	(1,081,135)
Charge for employees' end-of-service benefits	11	**426,227**	394,423
Reclassification of realized loss on disposal of investment at FVTOCI	13	**60,882**	69,752
Cash used in operating activities		**(11,326,206)**	(34,873,439)
Changes in working capital			
Increase in reinsurance contract assets		**(53,981,072)**	(43,309,470)
Decrease in other receivables and prepayments		**32,874,934**	5,669,332
Increase in insurance contract liabilities		**34,286,194**	8,571,672
Decrease in other payables	12	**(6,892,764)**	(2,602,880)
Cash used in operating activities		**(5,038,914)**	(66,544,785)
Payment for employees' end of service benefits obligation	11	**(212,062)**	(873,183)
Net cash used in operations activities		**(5,250,976)**	(67,417,968)
INVESTING ACTIVITIES			
Purchase of property and equipment	4	**(423,460)**	(699,243)
Proceeds from disposal of property and equipment	4	**-**	84,000
Purchase of investments carried at FVTPL	6	**(589,790)**	(3,918,124)
Proceeds from disposals of investments carried at FVTPL	6	**327,600**	8,398,419
Proceeds from disposals of investments carried at FVOCI	6	**2,651,836**	16,545,647
Proceeds from redemption of fixed deposit		**-**	14,000,000
Dividend and interest received	13	**1,361,173**	2,448,140
Net cash generated from investing activities		**3,327,359**	36,858,839
FINANCING ACTIVITIES			
Tier 1 capital coupon	10	**(928,101)**	(928,129)
Director's remuneration paid		**-**	(392,248)
Net cash used in financing activities		**(928,101)**	(1,320,377)
Net change in cash and cash equivalents		**(2,851,718)**	(31,879,506)
Cash and cash equivalents, beginning of the period		**37,779,645**	41,930,903
Reclassified from financial assets (fixed deposits)		**-**	7,000,000
Cash and cash equivalents end of the period	9	**34,927,927**	17,051,397

The accompanying notes from pages 10 to 42 form an integral part of these condensed interim financial information.

The report on review of the condensed interim financial information is set out on pages 3-4.

Notes to the condensed interim financial information for the period ended 30 September 2024

1 Legal status and activities

Insurance House - P J S C (the "Company") is a public joint-stock company registered and incorporated in the Emirate of Abu Dhabi, United Arab Emirates and is engaged in providing all classes of non-life insurance solutions in accordance with Federal Decree Law No. (48) of 2023 Regulating Insurance Activities (previously Federal Law No. 6 of 2007, as amended). The Company was established on 8 December 2010. The Company performs its activities through its head office in Abu Dhabi and branches located in Al Samha, Dubai – Sheikh Zayed Road, Sharjah, Mahawi and Motor World.

The Company is subject to the regulations of the U.A.E. Federal Decree Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended), issued by the Central Bank of UAE and is registered in the Insurance Companies Register of the Central Bank of the UAE, under registration number 089.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The registered office of the Company is P.O. Box: 129921, Abu Dhabi, United Arab Emirates.

The range of products and services offered by the Company include but is not limited to accidents and civil responsibility insurance, land, marine and air transportation dangers insurance, health insurance, onshore and offshore oil and gas fields and facilities services.

1.1 Equity

As of 30 September 2024, the Company's accumulated losses are AED 132,157,025 (December 31, 2023: AED 119,136,157) which resulted in erosion of equity in excess of 50% and had affected the required solvency ratio as prescribed by the Central Bank of the UAE. The shareholders have approved the option of Company's continuation and the commencement of the implementation plan in the General Assembly Meeting dated 07 July 2023. The management has submitted the revised recovery plan on 22 November 2023 to the Central Bank of UAE.

1.2 Going concern

The Company's future plan indicates that the Company will be profitable and will generate sufficient cash flow. The Company's directors are, therefore, confident that the Company will be able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations. Accordingly, these condensed interim financial information have been prepared on a going concern basis. The Company has prepared a recovery plan which is also submitted to Central Bank of UAE which consists of the following key reasons for the issues and planned steps to resolve them.

Key reasons for the accumulated loss leading to solvency deficit:

- The Company has not utilized technically sound pricing methodologies for the Medical and Motor lines.
- Financial reporting and control issues:
  - Misinformation in the preparation of the financial information for the years ended 2020, 2021 and 2022, specifically in relation to recording of medical reinsurance premiums and medical reinsurance claims.
  - Delays in the realization of losses led to delays in pricing correction and increased accumulated losses. If these misinformation had not occurred, it was likely that corrective action, specifically the repricing of medical business, would have been taken in 2020 by the Management and the Board.
- The selling of unprofitable Motor business due to increased competition in the UAE Motor market.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

1 Legal status and activities (continued)

1.3 Management plan to address going concern

The Company has planned the following key actions to address the solvency deficit by increasing the total Basic Own Funds i.e. Basic Own Funds and Subordinated Liabilities. The actions are as follows.

Increase in basic own funds:

- Asset allocation: Reallocation of assets from equity to fixed income securities to reduce the inadmissible assets falling under equity (AED 11 million improvements in solvency).
- Reissuing treasury shares: Raise capital through reissuance of treasury shares (AED 4.6 million).
- Raise Tier 1 capital: A capital injection of AED 20 million through Tier 1 Capital will also increase the assets for solvency purposes.

Increase in subordinated liabilities:

- Shareholder Guarantee: Increase subordinated liabilities by means of a shareholder guarantee (AED 75 million).

The Company is also planning strategy and other changes in the underwriting, operations and internal control to improve the overall profitability of the business.

2 General information

2.1 Statement of compliance

The condensed interim financial information have been prepared in accordance with International Accounting Standard (IAS) 34, "*Interim Financial Reporting"* as issued by the International Accounting Standard Board (IASB), and in compliance with the applicable requirements of the UAE Federal Decree Law No. 32 of 2021 ("Companies Law"), relating to commercial companies and UAE Federal Decree Law No. (48) of 2023 Regulating Insurance Activities (previously Federal Law no. 6 of 2007, as amended) concerning Financial Regulations for Insurance Companies issued by the Central Bank of the UAE ("CBUAE") and regulation of its operations.

2.2 Basis of preparation

These condensed interim financial information are prepared for the nine months period ended 30 September 2024 and are presented in United Arab Emirate Dirham (AED), which is the functional currency of the Company.

The condensed interim financial information has been prepared on historical cost basis, except for the measurement at fair value of certain financial instruments value and the provision for employees' end of service indemnity which is calculated in line with UAE labour laws.

This condensed interim financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' and do not include all of the information required in annual financial information in accordance with International Financial Reporting Standards and should be read in conjunction with the financial information for the year ended 31 December 2023. In addition, the results for the nine months period ended 30 September 2024 are not necessarily an indication of the results that may be expected for the financial year ending 31 December 2024.

2.3 Accounting convention

This condensed interim financial information have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

2.4 Standards, interpretations and amendments to existing standards

Standards, interpretations, and amendments to existing standards – Impact of new IFRS

Application of new and revised International Financial Reporting Standards ("IFRS")

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Company has not early adopted any of the forthcoming new or amended standards in preparing this condensed interim financial information. Management anticipates that these standards will not have any significant impact on this financial information.

The following relevant standards, interpretations and amendments to existing standards were issued by the IASB:

New Standards or amendments	Effective date
Amendments to IAS 1 Presentation of Financial Information - Classification of Liabilities as Current or Non-current	No effective date set
Amendments to IAS 1 Presentation of Financial Information - Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16 Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	1 January 2024
Amendments to IFRS 10 and IAS 28- Sale or Construction of assets between an Investor and its associate or joint venture	1 January 2024
Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2 Climate-related Disclosures	1 January 2024

New and revised Standards in issue but not yet effective

The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised standards	Effective date
IFRS 18 Presentation and Disclosures in Financial Information	1 January 2027
IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Lack of Exchangeability (Amendments to IAS 21)	1 January 2025
Amendments to the SASB standards to enhance their international applicability	1 January 2025
Amendments IFRS 9 and IFRS 7 regarding the classification and measurement of financial instruments	1 January 2026

3 Material accounting policy information

This condensed interim financial information have been prepared on a consistent basis with the accounting policies and estimates adopted in the Company's most recent annual financial information for the year ended 31 December 2023, except for application of new standards effective as of 1 January 2024 and several amendments and interpretations applied for the first time in 2024 as stated in Note 2.4.

3.1 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.1 Property and equipment (continued)

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Useful lives
Computers and software	3 – 4 years
Office equipment and decoration	4 years
Motor vehicles	4 years
Building	30 years

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in condensed interim statement of profit or loss.

3.2 Financial instruments

a) Recognition and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus, for an item not at fair value through profit or loss, transactions costs that are directly attributable to its acquisition or issue. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.2 Financial instruments (continued)

ii) Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to condensed interim statement of profit or loss but is reclassified to retained earnings.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the condensed interim statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

iii) Financial assets at fair value through profit or loss ('FVTPL')

Investments in equity instruments are classified at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Debt instruments that do not meet the amortised cost criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria but are designated as at FVTPL are measured at FVTPL. A debt instrument may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Debt instruments are reclassified from amortised cost to FVTPL when the business model is changed such that the amortised cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVTPL on initial recognition is not allowed.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in the condensed interim statement of profit or loss. Fair value is determined in the manner described in Note 6.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.2 Financial instruments (continued)

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d) Impairment

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued;
- loan commitments issued and
- No impairment loss is recognised on equity investments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimate of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

e) Offsetting financial instruments

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

f) Derecognition

The requirements for derecognition of financial assets and liabilities are carried forward from IAS 39. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liability is derecognised when it is extinguished.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policies (continued)

3.3 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

A provision for employees' end-of-service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the U.A.E. Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the U.A.E. Labour Law. The expected costs of these benefits are accrued over the period of employment.

3.4 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the condensed interim statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising from translation are recognised in the condensed interim statement of profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.5 Interest income and expenses

Interest income and expense for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision) and are recognised within 'interest income' in the condensed interim statement of profit or loss.

3.6 Dividend income

Dividend income from investments is recognised in the condensed interim statement of profit or loss when the Company's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

3.7 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. 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. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.7 Provisions, contingent liabilities and contingent assets (continued)

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3.8 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Other details for reserves are mentioned in Note 10 to the condensed interim financial information. Accumulated losses include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

3.9 Leases

The Company as a Lessee

The Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the condensed interim statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.9 Leases (continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in condensed interim statement of profit or loss on a straight-line basis over the lease term.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

3.11 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each condensed interim statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the condensed interim statement of profit or loss. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.12 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial information.

3.13 Insurance contracts

Insurance contract is an agreement whereby one party called the insurer undertakes, for a consideration paid by the other party called the insured, promises to pay money, or its equivalent or to do some act valuable to the latter, upon happening of a loss, liability or disability arising from an unknown or contingent event.

Insurance contracts are those contracts that transfer significant insurance risk. Such a risk includes the possibility of having to pay benefits on the occurrence of an insured event. The Company may also transfer insurance risk in insurance contracts through its reinsurance agreements to hedge a greater possibility of claims occurring than expected.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or have expired.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.14 Taxation

Current taxation

Provision of current tax is based on the taxable income for the period determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period.

Income tax expense is recognised in interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year/period. Amounts accrued for income tax expense in interim period may have to be adjusted in a subsequent interim period of that financial year/period if the estimate of the annual income tax rate changes.

Deferred taxation

Deferred tax is accounted in respect of all temporary differences at the balance sheet date between the tax bases and carrying amounts of assets and liabilities for financial reporting purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited to the condensed interim statement of profit or loss, except in the case of items credited or charged to condensed interim statement of other comprehensive income or equity in which case it is included in condensed interim statement of other comprehensive income or equity.

3.15 Critical accounting estimates and judgements in applying accounting policies

In the application of the Company's accounting policies, which are described above in these condensed interim financial information, 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. Actual results may differ from these estimates. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

Measurement of the expected credit loss allowance

Key concepts in IFRS 9 that have the most significant impact and require a high level of judgment, as considered by the Company while determining the impact assessment, are:

The assessment of a significant increase in credit risk is done on a relative basis. To assess whether the credit risk on a financial asset has increased significantly since origination, the Company compares the risk of default occurring over the expected life of the financial asset at the reporting date to the corresponding risk of default at origination, using key risk indicators that are used in the Company's existing risk management processes.

The measurement of expected credit losses for each stage and the assessment of significant increases in credit risk must consider information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information will require significant judgment. The definition of default used in the measurement of expected credit losses and the assessment to determine movement between stages will be consistent with the definition of default used for internal credit risk management purposes. IFRS 9 does not define default, but contains a rebuttable presumption that default has occurred when an exposure is greater than 90 days past due.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.15 Critical accounting estimates and judgements in applying accounting policies (continued)

When measuring ECL, the Company must consider the maximum contractual period over which the Company is exposed to credit risk. All contractual terms should be considered when determining the expected life, including prepayment options and extension and rollover options. For certain revolving credit facilities that do not have a fixed maturity, the expected life is estimated based on the period over which the Company is exposed to credit risk and where the credit losses would not be mitigated by management action.

Insurance and reinsurance contracts

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

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to capitalise all insurance acquisition cashflows upon payments. The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts are to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfillment cash flows.

Liability for incurred claims

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

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

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

3 Material accounting policy information (continued)

3.15 Critical accounting estimates and judgements in applying accounting policies (continued)

Discount rates

The Company use bottom-up approach to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an illiquidity premium). The risk-free rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years		20 years	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Insurance contracts issued	4.97	6.66	4.42	5.72	4.36	5.35	4.44	5.02	4.57	5. 36
Reinsurance contracts held	4.97	6.66	4.42	5.72	4.36	5.35	4.44	5.02	4.57	5. 36

Risk adjustment for non-financial risk

The Company uses a Solvency II (Value at risk) type approach to determine its risk adjustment for non-financial risk. Each portfolio is matched with the most representative Solvency II LOB and an assumption is made that the prescribed standard deviation of premiums risk and reserves risk for a given Solvency II LOB is representative of the standard deviation of the portfolio LRC and LIC standard deviation respectively. Further, the Company assumes that the LRC and LIC each have a Lognormal distribution with the LIC mean matching the sum of the IBNR, OS and ULAE while the LRC mean matches the UPR of a given portfolio. The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach for different lines in the range of 60-75 percentile. That is, the Company has assessed its indifference to uncertainty for product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 60-75 percentile confidence level less the mean of an estimated probability distribution of the future cash flows.

The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, at fair value through other comprehensive income or at amortised cost.

Provision for legal cases

Considerable judgement by management is required in the estimation for legal cases arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

4 Property and equipment

	Land AED	Building AED	Office equipment and decoration AED	Computers and software AED	Motor vehicles AED	Capital work in progress* AED	Total AED
Cost							
At 1 January 2023	10,390,000	28,571,039	6,152,452	3,585,846	705,638	6,920,119	56,325,094
Additions during the year	-	-	280,240	142,204	-	383,702	806,146
Disposals during the year	(10,390,000)	(28,571,039)	-	-	(240,000)	-	(39,201,039)
At 31 December 2023 (Audited)	-	-	6,432,692	3,728,050	465,638	7,303,821	17,930,201
Additions during the period	-	-	2,775	141,629	-	279,056	423,460
As at 30 September 2024 (Unaudited)	**-**	**-**	**6,435,467**	**3,869,679**	**465,638**	**7,582,877**	**18,353,661**
Accumulated depreciation							
At 1 January 2023	-	3,650,744	6,017,899	3,301,421	344,683	-	13,314,747
Charge for the year	-	793,640	116,544	163,227	101,150	405,767	1,580,328
Disposals for the year	-	(4,444,384)	-	-	(240,000)	-	(4,684,384)
At 31 December 2023 (Audited)	-	-	6,134,443	3,464,648	205,833	405,767	10,210,691
Charge for the period	-	-	80,288	106,243	76,001	1,825,956	2,088,488
At 30 September 2024 (Unaudited)	**-**	**-**	**6,214,731**	**3,570,891**	**281,834**	**2,231,723**	**12,299,179**
Carrying amount							
As at 30 September 2024 (Unaudited)	**-**	**-**	**220,736**	**298,788**	**183,804**	**5,351,154**	**6,054,482**
As at 31 December 2023 (Audited)	-	-	298,249	263,402	259,805	6,898,054	7,719,510

* The comprehensive IH Digital Transformation Program that commenced in 2019 was planned for 5 years till 2024 (from Conception to Go Live), aimed to enhance IH's digital capabilities across motor, commercial and medical lines of business.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

4 Property and equipment (continued)

The project encompasses the below key elements of digital assets apart from the upgrade or replacement of the core system which is currently in progress as per the revised project roadmap. The key digital components/capabilities which are part of the program are as follows:

- User Experience Design & Customer Journey Build
- Micro-Service based Target Technical Architecture & Infrastructure
- Digital Transformation Requirements, Process and RFP
- Comprehensive Test Pack including Methodology, Test Plan
- Online Solution for Business to Business, Business to Consumer, Insurance as a Service Components, and other Digital Fabric Layer

Transformation of Core Insurance (Replacement or Upgrade) which is currently in progress. The above components/capabilities acquired and/or completed as part of this Project (Items 1- 5 above) are all re-usable in nature and currently form the base of the Transformation of Core Insurance, which is delayed, but still in progress. This project has been delayed due to Covid – 19, change in management team/key personnel and financial distractions of 2023. It is now being re-scheduled to be completed by 2025. The Company has capital work in progress of AED 5,351,154 as at 30 September 2024 (31 December 2023 - AED 6,898,054) and management expects to capitalize it upon completion of the project. Based on internal assessment, management has initiated to amortize it effective 1 November 2023 over the period of 3 years. Management has considered the impact of amortization amounting to AED 1,825,956 (forming part of General and Administrative expenses) during the period.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

5 Insurance and reinsurance contracts

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

	At 30 September 2024 (Unaudited)			At 31 December 2023 (Audited)		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	AED	**AED**	**AED**	AED	AED	AED
Insurance contracts issued	**-**	**212,461,959**	**212,461,959**	(462,340)	178,638,105	178,175,765
Reinsurance contracts held	**165,432,417**	**-**	**165,432,417**	111,451,345	-	111,451,345

The roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table on the next page:

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

5 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2024 (Unaudited)

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED	AED
Insurance contract assets as at 1 January	(863,545)	-	386,929	14,276	(462,340)
Insurance contract liabilities as at 1 January	32,930,382	4,893,375	137,101,618	3,712,730	178,638,105
Net Insurance contract liabilities as at 1 January	**32,066,837**	**4,893,375**	**137,488,547**	**3,727,006**	**178,175,765**
Insurance revenue	**(214,697,949)**	**-**	**-**	**-**	**(214,697,949)**
Insurance service expenses	**19,365,457**	**(1,200,063)**	**259,924,830**	**1,714,270**	**279,804,494**
Incurred claims and other expenses	-	-	353,246,813	5,441,276	358,688,089
Changes to liabilities for incurred claims	-	-	(93,321,983)	(3,727,006)	(97,048,989)
Amortisation of insurance acquisition cashflows	19,365,457	-	-	-	19,365,457
Future Service: Losses on onerous contracts and reversals of those losses	-	(1,200,063)	-	-	(1,200,063)
Insurance service result (gain) / loss	**(195,332,492)**	**(1,200,063)**	**259,924,830**	**1,714,270**	**65,106,545**
Insurance finance expenses through profit and loss	-	-	4,675,072	-	4,675,072
Total changes in condensed interim statement of comprehensive income	**(195,332,492)**	**(1,200,063)**	**264,599,902**	**1,714,270**	**69,781,617**
Cash flows					
Premiums received	242,533,895	-	-	-	242,533,895
Claims paid	-	-	(200,696,876)	-	(200,696,876)
Directly attributable expense paid	-	-	(38,663,214)	-	(38,663,214)
Insurance acquisition cash flows	(38,669,229)	-	-	-	(38,669,229)
Total cash flows	**203,864,666**	**-**	**(239,360,090)**	**-**	**(35,495,424)**
Insurance contract assets as at 30 September	-	-	-	-	-
Insurance contract liabilities as at 30 September	40,599,011	3,693,312	162,728,360	5,441,276	212,461,959
Net insurance contract liabilities as at 30 September	**40,599,011**	**3,693,312**	**162,728,360**	**5,441,276**	**212,461,959**

5 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2023 (Audited)

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	**AED**	**AED**	**AED**	**AED**
Insurance contract assets as at 1 January	(18,423,308)	582,921	15,689,164	198,238	(1,952,985)
Insurance contract liabilities as at 1 January	25,459,297	22,810,967	156,469,044	3,324,742	208,064,050
Net Insurance contract liabilities as at 1 January	**7,035,989**	**23,393,888**	**172,158,208**	**3,522,980**	**206,111,065**
Insurance revenue	**(242,946,852)**	**-**	**-**	**-**	**(242,946,852)**
Insurance service expenses	**39,706,181**	**(18,500,513)**	**248,731,711**	**204,026**	**270,141,405**
Incurred claims and other expenses (Note 23)	-	-	428,031,556	1,233,089	429,264,645
Changes to liabilities for incurred claims	-	-	(179,299,845)	(1,029,063)	(180,328,908)
Amortisation of insurance acquisition cash flows	39,706,181	-	-	-	39,706,181
Future service: Losses on onerous contracts and reversals of those losses	-	(18,500,513)	-	-	(18,500,513)
Insurance service result gain /(loss)	**(203,240,671)**	**(18,500,513)**	**248,731,711**	**204,026**	**27,194,553**
Insurance finance expenses through profit and loss	-	-	7,141,637	-	7,141,637
Total changes in statement of comprehensive income	**(203,240,671)**	**(18,500,513)**	**255,873,348**	**204,026**	**34,336,190**
Cash flows					
Premiums received	239,213,163	-	-	-	239,213,163
Claims paid	-	-	(290,543,009)	-	(290,543,009)
Directly attributable expense paid	-	-	-	-	-
Insurance acquisition cash flows	(10,941,644)	-	-	-	(10,941,644)
Total cash flows	**228,271,519**	**-**	**(290,543,009)**	**-**	**(62,271,490)**
Insurance contract assets as at 31 December	(863,545)	-	386,929	14,276	(462,340)
Insurance contract liabilities as at 31 December	32,930,382	4,893,375	137,101,618	3,712,730	178,638,105
Net insurance contract liabilities as at 31 December	**32,066,837**	**4,893,375**	**137,488,547**	**3,727,006**	**178,175,765**

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

5 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

2024 (Unaudited)

	Liabilities for remaining coverage		Liabilities for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED	AED
Reinsurance contract assets as at 1 January	43,082,899	-	66,746,412	1,622,034	111,451,345
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net Reinsurance contract assets as at 1 January	**43,082,899**	**-**	**66,746,412**	**1,622,034**	**111,451,345**
Allocation of reinsurance premium	**(95,359,968)**	**-**	**-**	**-**	**(95,359,968)**
Net income or (expense) from reinsurance contracts held	**15,243,719**	**-**	**132,167,455**	**2,675,884**	**150,087,058**
Incurred claims and other expenses	-	-	172,523,192	4,297,918	176,821,110
Changes that relate to past services – adjustments to LIC	-	-	(40,355,737)	(1,622,034)	(41,977,771)
Amortisation of reinsurance acquisition cash flows	15,243,719	-	-	-	15,243,719
Future Service: Loss recovery on underlying contacts	-	-	-	-	-
Reinsurance service result (gain) / loss	**(80,116,249)**	**-**	**132,167,455**	**2,675,884**	**54,727,090**
Reinsurance finance income through profit and loss	-	-	1,919,148	-	1,919,148
Total changes in condensed interim statement of comprehensive income	**(80,116,249)**	**-**	**134,086,603**	**2,675,884**	**56,646,238**
Cash flows					
Reinsurance premiums paid	86,791,677	-	-	-	86,791,677
Claim recoveries from reinsurance	-	-	(73,081,078)	-	(73,081,078)
Directly attributable expense paid	-	-	-	-	-
Acquisition cash flows recovered from reinsurance	(16,375,764)	-	-	-	(16,375,764)
Total cash flows	**70,415,913**	**-**	**(73,081,078)**	**-**	**(2,665,165)**
Reinsurance contract assets as at 30 September	33,382,562	-	127,751,937	4,297,918	165,432,417
Reinsurance contract liabilities as at 30 September	-	-	-	-	-
Net reinsurance contract assets as at 30 September	**33,382,562**	**-**	**127,751,937**	**4,297,918**	**165,432,417**

5 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

2023 (Audited)

	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED	AED
Reinsurance contract assets as at 1 January	27,195,140	9,637,875	77,974,243	2,071,352	116,878,610
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net Reinsurance contract assets as at 1 January	**27,195,140**	**9,637,875**	**77,974,243**	**2,071,352**	**116,878,610**
Allocation of reinsurance premium	**(121,940,988)**	**(9,637,875)**	**-**	**-**	**(131,578,863)**
Net income or (expense) from reinsurance contracts held	**12,621,044**	**-**	**104,274,386**	**(449,318)**	**116,446,112**
Incurred claims and other expenses	-	-	185,338,276	128,040	185,466,316
Changes that relate to past service - adjustments to LIC	-	-	(81,063,890)	(577,358)	(81,641,248)
Amortisation of reinsurance acquisition cash flows	12,621,044	-	-	-	12,621,044
Future Service: Loss recovery on underlying contracts	-	-	-	-	-
Reinsurance service result loss / (gain)	**(109,319,944)**	**(9,637,875)**	**104,274,386**	**(449,318)**	**(15,132,751)**
Reinsurance finance income through profit and loss	-	-	3,089,647	-	3,089,647
Total changes in condensed interim statement of comprehensive income	**(109,319,944)**	**(9,637,875)**	**107,364,033**	**(449,318)**	**(12,043,104)**
Cash flows					
Reinsurer premiums paid	138,548,676	-	-	-	138,548,676
Claim recoveries from reinsurance	-	-	(118,591,864)	-	(118,591,864)
Directly attributable expense paid	-	-	-	-	-
Acquisition cash flows recovered from reinsurance	(13,340,972)	-	-	-	(13,340,972)
Total cash flows	**125,207,704**	**-**	**(118,591,864)**	**-**	**6,615,840**
Reinsurance contract assets as at 31 December	43,082,899	-	66,746,412	1,622,034	111,451,345
Reinsurance contract liabilities as at 31 December	-	-	-	-	-
Net reinsurance contract assets as at 31 December	**43,082,899**	**-**	**66,746,412**	**1,622,034**	**111,451,345**

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

6 Financial assets

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Investments carried at FVTOCI		
Quoted equity securities	**1,305,501**	2,901,238
Quoted Tier 1 perpetual securities	**-**	1,190,727
Unquoted Tier 1 perpetual securities	**6,950,000**	6,950,000
	8,255,501	11,041,965
Investments carried at FVTPL		
Quoted equity securities	**409,406**	66,070
	409,406	66,070

The movement in the investments in financial assets is as follows:

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Investments carried at FVTOCI		
Fair value at 1 January	**11,041,965**	40,502,582
Disposals	**(2,651,836)**	(30,422,387)
Change in fair value	**(73,746)**	1,031,521
Reclassification of realized loss on disposal of investment at FVTOCI	**(60,882)**	(69,751)
Fair value at the end of the reporting period/year	**8,255,501**	11,041,965
Investments carried at FVTPL		
Fair value at 1 January	**66,070**	13,948,829
Additions	**589,790**	3,973,624
Disposals	**(327,600)**	(10,850,054)
Change in fair value taken to profit or loss	**81,144**	(6,329)
Reclassified to cash and cash equivalents (Note - 9)	**-**	(7,000,000)
Fair value at the end of the reporting period/year	**409,406**	66,070

The geographical distribution of investments is as follows:

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Quoted UAE equity securities	**449,822**	1,621,351
Quoted outside UAE Tier 1 perpetual securities	**-**	1,190,727
Unquoted UAE Tier 1 securities	**6,950,000**	6,950,000
Quoted outside UAE equity securities	**1,265,085**	1,345,957
	8,664,907	11,108,035

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

6 Financial assets (continued)

6.1 Fair value measurements

Management considers that the fair values of financial assets and financial liabilities that are not measured at fair value approximates to their carrying amounts as stated in the condensed interim financial position and are classified as level 3 in accordance with the IFRS 13 hierarchy.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – fair value measurements derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management has determined the fair value of these unquoted investments by applying an appropriate risk adjusted liquidity discount on the net assets of the investee companies.

	Note	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
30 September 2024 (Unaudited)					
Investments at FVTOCI					
Investment in quoted securities	(a)	**1,305,501**	**-**	**-**	**1,305,501**
Unquoted Tier 1 perpetual securities		**-**	**-**	**6,950,000**	**6,950,000**
		1,305,501	**-**	**6,950,000**	**8,255,501**
Investments at FVTPL					
Investment in quoted equity securities	(a)	**409,406**	**-**	**-**	**409,406**
		409,406	**-**	**-**	**409,406**
31 December 2023 (Audited)					
Investments at FVTOCI					
Investment in quoted securities	(a)	2,901,238	-	-	2,901,238
Quoted Tier 1 perpetual securities	(a)	1,190,727	-	-	1,190,727
Unquoted Tier 1 perpetual securities		-	-	6,950,000	6,950,000
		4,091,965	-	6,950,000	11,041,965
Investments at FVTPL					
Investment in quoted equity securities	(a)	-	-	-	-
Unquoted Tier 1 perpetual securities		66,070	-	-	66,070
		66,070	-	-	66,070

(a) Fair values have been determined by reference to the quoted prices at the reporting date.

During the period/year, there were no transfers between Level 1 and Level 2 fair value measurement and no transfers into or out of Level 3 fair value measurements.

7 Statutory deposits

In accordance with the requirement of Article (38) of the Federal Decree Law No. (48) of 2023 Regulating Insurance Activities (previously Federal Law No. 6 of 2007, as amended), the Company maintains a bank deposit amounting to AED 6,000,000 as of 30 September 2024 (31 December 2023: AED 6,000,000) and it cannot be utilized without the consent of the Central Bank of the U.A.E. ("CBUAE").

8 Other receivables and prepayments

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Prepayments	**7,075,369**	4,952,175
Rent receivable	**318,778**	873,778
Accrued interest income	**1,105,704**	943,301
Guarantee deposits	**703,257**	663,257
Other advances	**1,075,569**	1,128,076
Receivable from sale of land and building (Note 16)	-	34,596,019
Dividend receivable	**2,993**	-
	10,281,670	43,156,606

9 Cash and cash equivalents

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Cash on hand	**5,000**	5,000
Cash at banks - current accounts	**5,450,000**	10,649,456
Cash at bank - call account	**12,472,927**	20,125,189
Deposit in commercial paper	**7,000,000**	7,000,000
Fixed deposit	**10,000,000**	-
	34,927,927	37,779,645

Cash at banks includes current accounts and call account balances amounting to AED 21,693,950 as of 30 September 2024 held with a financial institution which are related parties (call account balances are interest bearing) (31 December 2023: AED 24,311,258).

10 Capital and reserves

Share capital

	(Unaudited) 30 September 2024 AED	(Audited) 31 December 2023 AED
Authorised, issued and fully paid:		
118,780,500 shares of AED 1 each	**118,780,500**	118,780,500

10 Capital and reserves (continued)

Tier 1 capital

On 14 January 2019, the Company's Board of Directors approved the issuance of Tier 1 perpetual bonds non-convertible into shares amounting to AED 15,000,000 for the purpose of strengthening the Company's capital adequacy and assets and to support its financial position to achieve the Company's growth strategy and to be compatible with the instructions of the CBUAE.

Statutory reserve

In accordance with the UAE Federal Law No. 32 of 2021, concerning Commercial Companies and the Company's Articles of Association, 10% of net profit were to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for any distribution to the shareholders.

Reinsurance reserve

In accordance with Article (34) to Insurance Authority's Board of Directors Decision No (23) of 2019, insurance companies incorporated in the State and licensed by the Central Bank of the United Arab Emirates ("CBUAE") shall bind in the preparation of its annual financial information and its final accounts to allocate an amount equal to 0.5% (Five per thousand) of the total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the Company or default in its financial position. The provision shall be accounted year after year based on the reinsurance premiums ceded and may not be disposed of without the written approval of the Assistant Governor of the Banking and Insurance Supervision Department of CBUAE. The decision was effective from 1 December 2020. Accordingly, an amount of AED 1,181,192 (31 December 2023: AED 1,181,192) has been recorded in equity as a reinsurance default risk reserve.

Treasury shares

During the previous year ended 31 December 2022, the Company bought back a total number of 5.3 million outstanding shares with AED 4,660,318.

11 Provision for employees' end-of-service benefits

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Balance as at 1 January	**2,531,023**	3,208,318
Charges during the period/year	**426,227**	560,255
Benefits paid during the period/year	**(212,062)**	(1,237,550)
Balance at the end of the period/year	**2,745,188**	2,531,023

12 Other payables

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Payables-inside UAE	**10,776,939**	17,669,703
	10,776,939	17,669,703

Inside UAE:

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Related party payables (Note 16)	**6,865,932**	13,487,933
VAT output tax payable (net)	**701,007**	272,898
Other accrued expenses*	**3,210,000**	3,908,872
	10,776,939	17,669,703

*Accrued expense related to amounts incurred in the normal course of business such as fee payable to regulators and other professionals.

13 Income from investments

	Nine months period ended 30 September 2024 (Unaudited) AED	Nine months period ended 30 September 2023 (Unaudited) AED
Dividend income on investment in financial assets	**47,627**	1,367,005
Interest income from fixed income securities	**593,025**	588,610
Interest income on fixed deposits and call account (net)	**720,521**	492,525
Realized gain on sale of investments carried at FVTPL	**75,600**	1,502,114
Realized loss on sale investments carried at FVTOCI - debt	**(60,882)**	-
Reclassification of unrealized loss in disposal of investment at FVTOCI - debt	**-**	(69,752)
Unrealized gain/(loss) on revaluation of investments FVTPL	**5,544**	(261,703)
	1,381,435	3,618,799

14 Earnings per share – Basic and diluted

Earnings per share are calculated by dividing the profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	Nine months period ended 30 September 2024 (Unaudited)	Nine months period ended 30 September 2023 (Unaudited)
Earnings (AED):		
Loss for the period	**(12,459,486)**	(32,575,238)

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

14 Earnings per share – Basic and diluted (continued)

Number of shares:		
Weighted average number of ordinary shares for the purpose of earnings per share	**118,780,500**	118,780,500
Loss per share (AED):		
Basic and diluted	**(0.10)**	(0.27)

The Company does not have potentially diluted shares and accordingly, diluted earnings per share equals basic earnings per share.

15 Risk management

The Company monitors and manages the financial risks relating to its business and operations. These risks include insurance risk, capital risk, credit risk, interest rate risk, market risk, foreign currency risk and liquidity risk.

The Company seeks to minimize the effects of these risks by diversifying the sources of its capital. It maintains timely reports about its risk management function and monitors risks and policies implemented to mitigate risk exposures.

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 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 Company faces under its insurance contracts is that the actual claims and benefit payments exceed the estimated amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater that estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from period to period 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 company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

15 Risk management (continued)

Capital risk

The Company's objectives when managing capital are:

- To comply with the insurance capital requirements required by Federal Decree Law No. (48) of 2023 Regulating Insurance Activities (previously Federal Law No. 6 of 2007, as amended), concerning the formation of Insurance Authority of UAE.
- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To provide an adequate return to shareholders by pricing insurance contracts commensurate with the level of risk.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Company in relation to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the period. The Company is subject to local insurance solvency regulations with which it has complied with during the period.

The table below summarizes the minimum regulatory capital of the Company and the total capital held.

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Total capital and reserves	**5,377,317**	18,838,650
Minimum regulatory capital (Note 1.1)	**100,000,000**	100,000,000

The CBUAE has issued resolution no. 42 for 2009 setting the minimum subscribed or paid-up capital of AED 100 million for establishing insurance companies and AED 250 million for reinsurance companies. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Company is in compliance with these rules.

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year. The Company is subject to solvency regulations which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations. The table on the next page summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

15 Risk management (continued)

Capital risk (continued)

	30 June 2024	31 December 2023
	AED	AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	56,665,000	44,498,000
Minimum Guarantee Fund (MGF)	36,337,000	31,683,000
Own Funds		
Basic Own Funds	(22,716,000)	(15,735,000)
Ancillary Own Funds	-	-
MCR Solvency Margin- Minimum Capital Requirement (deficit)/surplus	(122,716,000)	(115,735,000)
SCR Solvency Margin- Solvency Capital Requirement (deficit)/surplus	(79,380,000)	(60,233,000)
MGF Solvency Margin- Minimum Guarantee Fund (deficit)/surplus	(59,052,000)	(47,418,000)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Key areas where the Company is exposed to credit risk are:

- Amounts due from reinsurers in respect of claims already paid.
- Amounts due from insurance contract holders.
- Amounts due from insurance intermediaries.
- Amounts due from banks for its balances and fixed deposits.

The Company has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counter party limits that are reviewed and approved by the management annually.

Re-insurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a re-insurer fails to pay a claim for any reason, the Company remains liable for the payment to the policy holder. The creditworthiness of re-insurers is considered on an annual basis by reviewing their financial strength prior to finalization of any contract.

15 Risk management (continued)

Credit risk (continued)

The Company maintains record 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 Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write offs. Exposures to individual policy holders and groups of policy holders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policy holders, or homogenous groups of policy holders, a financial analysis equivalent to that conducted for re-insurers is carried out by the Company.

The carrying amount of financial assets recorded in the condensed interim financial information, which is net of expected credit loss, represents the Company's maximum exposure to credit risk for such receivables and liquid funds.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in the market interest rate. The Company is exposed to interest rate risk on call account, financial assets such as bonds. The interest rates are subject to periodic revision.

Market risk

Market prices risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issue or factors affecting all instruments traded in the market.

Foreign currency risk

The Company undertakes certain transactions denominated in foreign currencies, which imposes a sort of risk due to fluctuations in exchange rates during the period. The UAE Dirham is effectively pegged to the US Dollar, thus foreign currency risk occurs only in respect of other currencies. The Company maintains policies and procedures to manage the exchange rate risk exposure.

Liquidity risk

The Company's Board of Directors adopted an appropriate liquidity risk management framework as the responsibility of liquidity risk management rests with the Board of Directors.

The following table shows the maturity dates of Company's financial assets and liabilities as at 30 September 2024 (Unaudited).

15 Risk management (continued)

Liquidity risk (continued)

	Less than 1 year AED	More than 1 year AED	Total AED
Financial assets			
Interest bearing	**34,927,927**	**6,000,000**	**40,927,927**
Non-interest bearing	**177,303,626**	**-**	**177,303,626**
	212,231,553	**6,000,000**	**218,231,553**
Financial liabilities			
Non-interest bearing	**24,816,609**	**-**	**24,816,609**

The following table shows the maturity dates of Company's financial assets and liabilities as at 31 December 2023 (audited).

	Less than 1 year AED	More than 1 year AED	Total AED
Financial assets			
Interest bearing	37,779,645	14,140,727	51,920,372
Non-interest bearing	105,486,301	-	105,486,301
	143,265,946	14,140,727	157,406,673
Financial liabilities			
Non-interest bearing	55,225,289	-	55,225,289

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

16 Related party balances and transactions

Related parties comprise the major Shareholders, the Board of Directors and key management personnel of the Company and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The transactions with these related parties are primarily financing in nature as follows:

	30 September 2024 (Unaudited) AED	31 December 2023 (Audited) AED
Premium and insurance balances receivables		
Shareholder		
Finance House P.J.S.C	**7,349,304**	3,495,990
Fellow subsidiaries		
Finance House L.L.C.	**828,997**	382,833
Finance House Securities L.L.C.	**650,274**	240,291
Chairman		
Mohamed Abdulla Jumaa Al Qubaisi	**80,914**	-
	8,909,489	4,119,114
Other receivables		
Shareholder		
Finance House P.J.S.C	**-**	34,596,019
	-	34,596,019
Insurance and other payables		
Shareholder		
Finance House P.J.S.C	**5,000,000**	12,000,000
Fellow subsidiaries		
FH Capital P.S.C	**1,828,798**	1,453,798
Finance House Securities L.L.C.	**37,134**	37,135
	6,865,932	13,490,933
Investments		
Shareholder		
Finance House PJSC – Sukuks	**6,950,000**	6,950,000
	6,950,000	6,950,000
Cash and cash equivalents		
Shareholder (Finance House P.J.S.C)		
Cash at banks – current accounts	**395,056**	434,558
Cash at bank – call account	**4,179,641**	16,757,447
Fellow subsidiaries		
Finance House Securities LLC – Commercial papers	**7,000,000**	7,000,000
Finance House L.L.C.- Cash at banks – current accounts	**119,253**	119,253
Finance House L.L.C.- Fixed deposit	**10,000,000**	-
	21,693,950	24,311,258
Tier 1 capital		
Board member		
Abdulmajeed Al Fahim	**500,000**	500,000
	500,000	500,000

Finance House P.J.S.C is one of the major shareholders of the Company as of 30 September 2024. FH Capital, Finance House Securities L.L.C and Finance House L.L.C. are subsidiaries of Finance House P.J.S.C.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

16 Related party balances and transactions (continued)

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS.

The following are the details of significant transactions with related parties:

	(Unaudited) Nine months period ended 30 September 2024 AED	(Unaudited) Nine months period ended 30 September 2023 AED
Finance House P.J.S.C		
Gross premiums written	**4,815,366**	2,161,615
Interest on fixed deposit	**293,478**	185,597
Interest on Sukuk	**317,403**	317,402
Management fee	**4,500,000**	4,500,000
Finance House Securities		
Purchase of shares	**589,792**	-
Disposal of shares	**2,078,470**	22,116,077
Gross premium written	**529,669**	20,748
Interest on investment in commercial paper	**261,481**	198,625
Finance House L.L.C		
Gross premiums written	**447,814**	486,640
FH Capital		
Service fees	**378,314**	380,796

17 Segment information

The Company has two reportable segments, as described below, which are the Company's strategic business units. The business units are managed separately because they require different approach technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business – incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments – incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and other securities.

Notes to the condensed interim financial information for the period ended 30 September 2024 (continued)

17 Segment information (continued)

Primary segment information - business segment

	Nine months period ended 30 September 2024 (Unaudited)			Nine months period ended 30 September 2023 (Unaudited)		
	Underwriting	**Investments**	**AED Total**	Underwriting	Investments	AED Total
Segment revenue	**214,697,949**	**1,381,435**	**216,079,384**	185,048,333	3,618,799	188,667,132
Segment result	**(13,135,380)**	**1,381,435**	**(11,753,945)**	(36,822,342)	3,618,799	(33,203,543)
Unallocated income/(expense), net			**(705,541)**			628,305
Net loss for the period			**(12,459,486)**			(32,575,238)

a) The following is an analysis of the Company's assets, liabilities and equity by business segment:

	30 September 2024 AED (Unaudited)			31 December 2023 AED (Audited)		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment assets	**187,768,569**	**8,664,907**	**196,433,476**	168,327,461	11,108,035	179,435,496
Unallocated assets			**34,927,927**			37,779,645
Total assets			**231,361,403**			217,215,141
Segment liabilities	**223,238,898**	**(446,534)**	**222,792,364**	195,845,468	(6,069)	195,839,399
Equity			**5,823,852**			18,844,719
Unallocated liabilities			**2,745,188**			2,531,023
Total liabilities and equity			**231,361,404**			217,215,141

b) Secondary segment information – revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting department.

	Nine months period ended 30 September 2024 (Unaudited) AED	Nine months period ended 30 September 2023 (Unaudited) AED
Non – Marine	**101,263,113**	114,221,291
Medical and personal assurance	**112,966,230**	70,412,771
Marine	**468,606**	414,271
	214,697,949	185,048,333

There were no transactions between the business segments during the period.

18 Commitments and contingencies

The Company's bankers have issued in the normal course of business letters of guarantee in favor of third parties amounting to AED 6.7 million (31 December 2023: AED 6.7 million).

19 Premium Deficiency Reserve adjustments

There was an adjustment in Premium Deficiency Reserve (PDR) in the previous year 2023 due to certain changes in the methodology adopted by the Management based on actuarial recommendation. Accordingly, the Management had accounted the impact amounting to AED 9,615,607 (AED 6,968,874 in quarter ended 31 March 2023 and AED 2,646,733 in quarter ended 30 June 2023) prospectively under IFRS 4. However, on adoption of IFRS 17 during the quarter ended 30 June 2023, these costs had been retrospectively applied in the last quarter of 2022 and reversed the provision recorded in the books, which is maintained under IFRS 4, in the previous year.

20 Corporate tax

On 9 December 2022, UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from 1 June 2023 and accordingly, it has an income tax related impact on the condensed interim financial information for accounting periods beginning on or after 1 January 2024.

The Cabinet of Ministers Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Company is subject to the taxation commencing 01 January 2024. Management believes that the Company does not have any tax liability in absence of taxable profit and has not recognized deferred tax assets on unused tax losses in absence of virtual certainty that future taxable profit will be available against which the unused tax losses can be utilized.

21 Subsequent events

During the period, UAE witnessed unprecedented heavy rainfall causing widespread disruption across the country which led to a significant increase in insurance claims. As the Company has adequate coverage against such huge losses through various re-insurance arrangements, this event did not cause any subsequent impact on the net insurance service results of the Company.

22 General

The figures in the condensed interim financial information are rounded to the nearest Dirham of United Arab Emirates.

23 Approval of condensed interim financial information

The condensed interim financial information was approved and authorized for issue by the Board of Directors on 14 November 2024.