UNITED FIDELITY INSURANCE COMPANY (P.S.C.)

Financial Statements
For the year ended 31 December 2024

فيدلتي المتحدة
Fidelity United
INSURANCE

The Board of Directors' Report – Year ended 31st December 2024

On behalf of the Board, I would like to present to you the Board of Directors Report for the year ended December 31, 2024.

Insurance revenue for the year ended December 31, 2024, amounted to AED 606.9m as compared to AED 566.2m for the last year representing a 7% increase. The variation is mainly related to the consumer business which is partly offset by the reduction in the employee benefits line of business, the commercial business remained consistent as compared to the last year. The significant increase in Insurance service expenses of 64% as compared to last year is primarily linked with higher claims for commercial and consumer business on account of multiple weather-related events which adversely affected the Company in 2024. After considering the reinsurance recoveries, the net Insurance service result is depicting an unfavourable position of AED 88.6m as compared to AED 32.6m for last year. The above figures also reflect the impact of the Reinsurance Adjustments raised by the external auditors in their Q3 2024 review report.

After accounting for the Investment income which amounted to AED 18.5m (2023: AED 17.7m), finance income/ expenses and other operating expenses, the net loss before tax stands at AED 71.8m as compared to AED 17.4m in the prior year. After considering the favourable corporate income tax impact due to the business losses, the net loss after tax stood at AED 64.4m (2023: 17.4m). Key Financial trends for the year 2024 are shared below.

Key Financial Trends (AED in Thousands)	December 31st		Variation	
	2024	2023	Amount	%
Insurance Revenue	606,962	566,162	40,800	7%
Insurance Service Expenses	- 919,445	- 560,594	- 358,851	-64%
Net Recovery from RI contracts held	223,884	- 38,200	262,084	686%
Insurance Service Result	- 88,599	- 32,632	- 55,967	-172%
Net Investment Income	18,461	17,710	751	4%
Finance Income (expenses) net	- 1,896	- 2,072	176	8%
Other Operating Expenses	217	- 438	655	150%
Net Loss before Tax	- 71,817	- 17,432	- 54,385	-312%
Income tax	7,413	-	7,413	100%
Net Loss after tax	- 64,404	- 17,432	- 46,972	-269%

Outlook

During the last few months Fidelity United has gone through a massive restructuring exercise under the leadership of the new management. Good progress has been achieved so far however there is a lot more which is in the works and will be accomplished during 2025. The key focus has been on achieving superior underwriting results, keeping sustainable growth in perspective. This will help to create portfolio optimization by expanding the distribution through leveraging new products and enhanced connectivity with the business partners. Considering the earning pattern of insurance premiums over the period of insurance policy, the above efforts will show positive results gradually moving forward. Fidelity United will continue its efforts to enhance customer services and innovatively working to cater to our customer requirements for an ever-changing business world. The Board is confident that Fidelity United will be able to emerge out of the current scenario much stronger and generate profitable results in 2025.

The Board of Directors would like to thank all our customers and business partners for their continued trust in Fidelity United, strengthening our image as the reliable insurance partner. The Board of Directors would also like to thank our employees for their unwavering dedication and hard work.

Chairman of the Board
Dated: March 24th, 2025

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Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company (P.S.C.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Fidelity Insurance Company (P.S.C) (the "Company"), which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting Standards) ('IFRSs') as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 28 of the financial statements, which states that as of 31 December 2024, the Company did not meet the Minimum Capital Requirement (MCR) of AED 100 million, Solvency Capital Requirement (SCR) of AED 161.2 million, Minimum Guarantee Fund (MGF) Requirement of AED 73 million and the Company has a SCR Solvency Margin Deficit of AED 155.1 million (31 December 2023: AED 5.1 million). Further, the Company have accumulated losses of AED 94.5 million (31 December 2023: AED 36.3 million) and negative operating cash flows of AED 99.2 million as at 31 December 2024. These conditions indicates that a material uncertainty exists that may cast significant doubt on the Company ability to continue as a going concern. The accompanying financial statements have been prepared on a going concern basis as the Board of directors have approved a solvency recovery plan which includes the commitment of injecting additional capital. The Company's ability to comply with the solvency requirement depends on effective implementation of the solvency recovery plan, including capital injection, which it will submit to the Central Bank of UAE. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company (P.S.C.)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities, reinsurance contract assets and reinsurance contract liabilities	
As at 31 December 2024, the Company's insurance contract liabilities, reinsurance contract assets and reinsurance contract liabilities are valued at AED 695.53 million, AED 450.86 million, and AED 3.81 million respectively, as disclosed in Note 9 to the financial statements. Valuation of insurance contract liabilities, insurance contract assets, reinsurance contract assets and reinsurance contract liabilities involve significant judgements and estimates particularly with respect to the estimation of the present value of future cash flows, eligibility of the Premium Allocation Approach (PAA) and estimation of the liabilities for incurred claims. These cashflows and liabilities primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cash flows which are within the contract boundaries. The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of these cashflows. As a result of all the above factors, we consider valuation of insurance contract liabilities, reinsurance contract assets and reinsurance contract liabilities, as a key audit matter.	We performed the following procedures in conjunction with our actuarial specialists: • Understood and evaluated the process, the design and implementation of controls in place to determine valuation of insurance contract liabilities, reinsurance contract assets and reinsurance contract liabilities. • Assessed the competence, capabilities and objectivity of the management appointed actuary; • Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; • Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied; • We independently reperformed the calculation to assess the mathematical accuracy of the insurance contract liabilities, reinsurance contract assets and reinsurance contract liabilities on selected classes of business, particularly focusing on largest and most uncertain reserves; • Evaluated and tested the calculation of the expected credit loss allowance and the key assumption and judgements used; and • Assessed the adequacy of disclosures included in financial statements against the requirements of IFRS Accounting Standards.

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company (P.S.C.)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties	
The Company holds investment properties under the fair value model as at 31 December 2024 amounting to AED 46.55 million (2023: AED 46.63 million) respectively, as disclosed in Note 6 to the financial statements. Management appointed independent external valuers to determine the fair valuation of investment properties. The valuation of investment properties, as detailed in Note 6, requires significant judgement to be applied and estimates to be made by both management and the independent external valuers. Consequently, we considered this to be a key audit matter.	Our audit procedures, among others, included: • Obtained an understanding of the process of determining the fair value of the investment properties; • Assessed the competence, capabilities and objectivity of the management appointed independent external valuers; • Reviewed the scope of the engagement between the external valuer and the Company to determine if this was sufficient for audit purposes; • Verified the accuracy, completeness and relevance of the input data used for deriving fair values; • Evaluated the methodology and the appropriateness of key assumptions used in determining the fair value; • Agreed the results of the valuations to the amounts recorded in the financial statements; and • Assessed the adequacy of disclosures included in financial statements against the requirements of IFRS Accounting Standards.

Other Information

The Board of Directors and management are responsible for the other information. The other information comprises the information included in the Board of Directors' report but does not include the financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company (P.S.C.)

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IASB) and their preparation in compliance with the applicable provisions of the articles of association of the Company, UAE Federal Decree Law No. 32 of 2021, UAE Federal Law No. 48 of 2023 regarding the regulation of Insurance activities, Central Bank of the UAE Board of Directors' Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company (P.S.C.)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree Law No. 32 of 2021, we report that:

i) We have obtained all the information and explanations we considered necessary for the purposes of our audit;

ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021;

iii) The Company has maintained proper books of account in accordance with established accounting principles;

iv) The financial information included in The Board of Directors' report is consistent with the books of accounts of the Company;

v) As disclosed in note 7 to the financial statements, the Company has invested in securities during the year ended 31 December 2024;

vi) Note 24 to the financial statements discloses material related party transactions, and the terms under which they were conducted;

vii) The accumulated losses of the Company exceed 50% of the share capital as of 31 December 2024. In order, to comply with the provision of Article 309 of Federal Law No. (32) of 2021, the Board of Directors should call a General Assembly meeting within (30) thirty days of publishing the financial statements and this meeting should be held within (30) thirty days of date of call. The shareholders should decide in this meeting about whether to continue the Company's operations or to dissolve it prior to its prescribed term. Except for above, based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2024, any of the applicable provisions of the Federal Decree Law No. 32 of 2021, or of its articles of association, which would materially affect its activities or its financial position as at 31 December 2024; and

viii) Note 22 of the financial statements discloses the social contribution made during the year ended 31 December 2024.

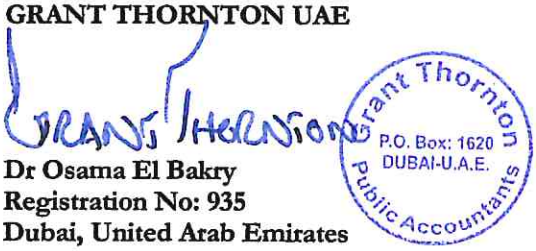
Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company (P.S.C.)

Report on Other Legal and Regulatory Requirements (continued)

Further, as required by the UAE Federal Decree Law No. (48) of 2023, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.

GRANT THORNTON UAE



Dr Osama El Bakry
Registration No: 935
Dubai, United Arab Emirates

28 March 2025

United Fidelity Insurance Company (P.S.C.)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2024

	Notes	2024 AED	2023 AED
ASSETS			
Property and equipment	5	**9,613,144**	11,766,413
Investment properties	6	**46,553,999**	46,639,999
Financial asset at fair value through profit or loss (FVTPL)	7	**154,527,065**	155,987,108
Financial asset at fair value through other comprehensive income (FVTOCI)	7	**126,972,140**	113,580,481
Reinsurance contract assets	9	**450,862,720**	212,801,173
Prepayments and other assets	10	**7,319,700**	4,539,292
Statutory deposits	11	**10,000,000**	10,000,000
Other receivables		**881,839**	2,126,240
Deferred tax asset	29	**7,412,817**	-
Bank balances and cash	12	**21,971,602**	76,228,358
TOTAL ASSETS		**836,115,026**	633,669,064
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**160,000,000**	160,000,000
Statutory reserve	14	**1,375,495**	1,375,495
General reserve	15	**447,524**	447,524
Reinsurance reserve	16	**6,140,986**	4,802,026
Cumulative change in fair value of FVTOCI investments		**14,819,856**	3,988,910
Accumulated losses		**(94,521,181)**	(36,303,139)
TOTAL EQUITY		**88,262,680**	134,310,816
LIABILITIES			
Employees' end of service benefits	18	**3,691,233**	4,484,362
Insurance contract liabilities	9	**695,532,679**	465,498,527
Reinsurance contract liabilities	9	**3,805,132**	5,442,405
Deferred tax liability	29	**2,058,901**	-
Bank borrowing	19	**20,000,000**	-
Lease liabilities	20	**5,640,413**	7,187,505
Other payables	21	**17,123,988**	16,745,449
TOTAL LIABILITIES		**747,852,346**	499,358,248
TOTAL EQUITY AND LIABILITIES		**836,115,026**	633,669,064

These financial statements were authorised for issue on 24 MAR 2025 by the Board of Directors and signed on its behalf by:

Chairman **Chief Executive Officer**

The attached explanatory notes from 1 to 30 form part of these financial statements.

United Fidelity Insurance Company (P.S.C.)

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Notes	2024 AED	2023 AED
Insurance revenue		**606,962,559**	566,162,066
Insurance service expenses	22	**(919,445,609)**	(560,594,300)
Insurance service result before reinsurance contracts held		**(312,483,050)**	5,567,766
Allocation of reinsurance premiums		**(324,743,039)**	(311,311,919)
Amounts recoverable from reinsurance for incurred claims		**548,627,144**	273,111,786
Net expenses from reinsurance contracts held		**223,884,105**	(38,200,133)
Insurance service results		**(88,598,945)**	(32,632,367)
Insurance finance expense for insurance contracts issued	23	**(6,711,379)**	(6,773,662)
Reinsurance finance income for reinsurance contracts held	23	**4,815,609**	4,701,969
Net insurance finance expense		**(1,895,770)**	(2,071,693)
Net investment income	23	**18,460,756**	17,710,114
Other operating expense		**-**	(595,673)
Other operating income		**217,406**	157,687
Loss before tax		**(71,816,553)**	(17,431,932)
Income tax credit	29	**7,412,817**	-
Loss for the year after tax		**(64,403,736)**	(17,431,932)
Basic and diluted loss per share	17	**(0.403)**	(0.109)

The attached explanatory notes from 1 to 30 form part of these financial statements.

United Fidelity Insurance Company (P.S.C.)

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Note	2024 AED	2023 AED
Loss for the year after tax		**(64,403,736)**	(17,431,932)
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Net change in fair value of equity investments designated at FVTOCI – net of tax	7	**18,355,600**	15,534,700
Total other comprehensive income for the year		**18,355,600**	15,534,700
Total Comprehensive Loss for the Year		**(46,048,136)**	(1,897,232)

The attached explanatory notes from 1 to 30 form part of these financial statements.

United Fidelity Insurance Company (P.S.C.)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2024

	Share capital AED	Statutory reserve AED	General reserve AED	Reinsurance reserve AED	Cumulative change in fair value of FVTOCI investments AED	Accumulated losses AED	Total equity AED
Balance at 1 January 2023, as previously reported	160,000,000	1,375,495	447,524	2,989,376	(6,621,482)	(18,075,189)	140,115,724
Adjustment on initial application of IFRS 17	-	-	-	-	-	(3,907,676)	(3,907,676)
Restated balance as at 1 January 2023	160,000,000	1,375,495	447,524	2,989,376	(6,621,482)	(21,982,865)	136,208,048
Loss for the year	-	-	-	-	-	(17,431,932)	(17,431,932)
Other comprehensive income for the year	-	-	-	-	11,569,035	3,965,665	15,534,700
Total comprehensive income /(loss) for the year	-	-	-	-	11,569,035	(13,466,267)	(1,897,232)
Transfer to reinsurance reserve	-	-	-	1,812,650	-	(1,812,650)	-
Transfer to accumulated losses on sale of equity instruments designated at FVTOCI	-	-	-	-	(958,643)	958,643	-
Balance at 31 December 2023	160,000,000	1,375,495	447,524	4,802,026	3,988,910	(36,303,139)	134,310,816
Balance at 1 January 2024	**160,000,000**	**1,375,495**	**447,524**	**4,802,026**	**3,988,910**	**(36,303,139)**	**134,310,816**
Loss for the year after tax	-	-	-	-	-	**(64,403,736)**	**(64,403,736)**
Other comprehensive income for the year	-	-	-	-	**18,355,600**	-	**18,355,600**
Total comprehensive income / (loss) for the year	-	-	-	-	**18,355,600**	**(64,403,736)**	**(46,048,136)**
Transfer to reinsurance reserve	-	-	-	**1,338,960**	-	**(1,338,960)**	-
Transfer to accumulated losses on sale of equity instruments designated at FVTOCI	-	-	-	-	**(7,524,654)**	**7,524,654**	-
Balance at 31 December 2024	**160,000,000**	**1,375,495**	**447,524**	**6,140,986**	**14,819,856**	**(94,521,181)**	**88,262,680**

The attached explanatory notes from 1 to 30 form part of these financial statements.

United Fidelity Insurance Company (P.S.C.)

STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 AED	2023 AED
Cash flows from operating activities			
Loss before tax		**(71,816,553)**	(17,431,932)
Adjustments for:			
Depreciation of property and equipment	5	**2,954,263**	5,326,599
Change in fair value for investments at FVTPL	7	**2,428,875**	528,029
Investment income		**(20,880,630)**	(18,335,359)
Provision for expected credit losses		**2,151,727**	2,348,004
Interest expense on lease liabilities		**364,920**	727,156
Provision for employees' end of service benefits	18	**1,170,498**	978,192
Operating cash flows before changes in working capital		**(83,626,900)**	(25,859,311)
Changes in working capital:			
Reinsurance contract assets -net		**(240,213,274)**	(64,603,341)
Insurance contract liabilities - net		**228,396,879**	122,831,592
Other receivables		**(2,208,665)**	(454,833)
Other payables		**377,453**	1,368,002
Cash (used in) / generated from operations		**(97,274,507)**	33,282,109
Employees end of service indemnity paid	18	**(1,963,627)**	(643,605)
Net cash (used in) /generated from operating activities		**(99,238,134)**	32,638,504
Cash flows from investing activities			
Purchase of property and equipment		**(800,994)**	(642,768)
Net movement in fixed deposits		**10,000,000**	10,000,000
Proceeds from disposal of investments at FVTOCI		**65,697,701**	90,125,468
Purchase of investments at FVTOCI		**(58,918,371)**	(66,038,520)
Interest received		**6,624,865**	6,458,099
Proceeds from disposal of investments at FVTPL		**17,889,552**	29,276,218
Purchase of investments at FVTPL		**(18,858,384)**	(82,003,515)
Dividend received from investments at FVTOCI		**13,315,052**	9,790,357
Income received from investment properties		**1,943,969**	1,739,060
Net cash generated from / (used in) investing activities		**36,893,390**	(1,295,601)
Cash flows from financing activities			
Interest paid on lease liabilities		**(364,920)**	(727,157)
Bank term loan obtained		**20,000,000**	-
Payment of lease liabilities		**(1,547,092)**	(3,123,446)
Net cash generated / (used in) financing activities		**18,087,988**	(3,850,603)
Net (decrease) / increase in cash and cash equivalents		**(44,256,756)**	27,492,300
Cash and cash equivalents at beginning of the year		**63,228,358**	35,736,058
Cash and cash equivalents at end of the year	12	**18,971,602**	63,228,358
Non-cash transactions not included in the cash flows:			
Addition to right to use of assets and lease liability		-	1,396,211
Adjustment on termination to right to use assets		-	(7,906,827)
Adjustment on termination to lease liability		-	(8,652,952)

The attached explanatory notes from 1 to 30 form part of these financial statements.

1 Legal status and activities

United Fidelity Insurance Company (P.S.C.) (the "Company) is a public shareholding Company and was registered in the Emirate of Ras Al Khaimah by Emiri decree No. 13/76 issued by the ruler of Ras Al Khaimah on 15 September 1976, which was amended by the Emiri decree No. 10/77 issued on 15 December 1977. The Company is registered in the Insurance Companies Register of Central Bank of the United Arab Emirates under registration number 8.

The Company is domiciled in the United Arab Emirates, in the financial year 2023, the Company changed its registered office address to Abu Dhabi located at Office 407, Bloom Central Building, Airport Road, Al Manhal, Al Tibbiya, PO Box no: 721, Abu Dhabi, United Arab Emirates. The Company's ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates. The principal activity of the Company is the writing of all classes of general and life insurance. The Company operates through its Head Office in Dubai and branch offices in Abu Dhabi, Ras Al Khaimah, Sharjah and Fujairah.

These financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Decree Law No. 32 of 2021.

On December 9, 2022, the United Arab Emirates (UAE) Ministry of Finance (MoF) released Federal Decree Law No 47 of 2022 on the Taxation of Corporations and Businesses, Corporate Tax Law (CT Law) to enact a new CT regime in the UAE. The new CT regime has become effective for accounting periods beginning on or after 1 June 2023. As the Company's accounting year ends on 31 December, the first tax period is from 1 January 2024 to 31 December 2024, with the respective tax return to be filed on or before 30 September 2025.

The taxable income of the entities that are in scope for UAE CT purposes will be subject to the rate of 9% on taxable profits above AED 375,000. The Company has incurred a taxable loss during the current year, in relation to which it has recognised a deferred tax asset amounting to AED 7,412,817. This deferred tax asset is expected to be realised through future taxable profits.

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

New and revised IFRSs and interpretations applied on the financial statements

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

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants and classification of liabilities as current or non-current	1 January 2024
IAS 7	Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

These standards did not have a material impact on these financial statements.

Standards issued but not yet effective

The impact of the new standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard number	Title	Effective date
IAS 21	Amendments to IAS 21 - Lack of exchangeability	1 January 2025
IFRS 9 & IFRS 7	Amendments to IFRS 9 and 7 - Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
IFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
IFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027

3 Statement of compliance with IFRS

These financial statements are for the year ended 31 December 2024 and are presented in United Arab Emirates Dirham (AED), which is also the functional currency of the Company. The financial statements have been prepared in accordance with IFRS Accounting Standards promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the IFRS Interpretations Committee ("IFRS IC") and in compliance with the applicable requirements of the United Arab Emirates (U.A.E.) Federal Decree Law No. 32 of 2021, the United Arab Emirates (U.A.E.) Federal Decree Law No. 48 of 2023 regarding the regulation of Insurance activities and the Insurance Authority Board of Directors' Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies.

As disclosed in note 28 of the financial statements, as at 31 December 2024, the Company did not meet the Minimum Capital Requirement (MCR) of AED 100 million, Solvency Capital Requirement (SCR) of AED 161.2 million, Minimum Guarantee Fund (MGF) of 73 million and the Company has a SCR Solvency Margin Deficit of AED 155.1 million (31 December 2023: AED 5.1 million). Further, the Company have accumulated losses of AED 94.5 million (31 December 2023: AED 36.3 million) and negative operating cash flows of AED 99.2 million as at 31 December 2024 and the Company's ability to comply with the solvency requirement depends on the effective implementation of its solvency recovery plan, including capital injection, which it will submit to the Central Bank of UAE. However, as certain actions included in the plan are not wholly within management's control, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Additionally, as the accumulated losses have exceeded 50% of the share capital, as required by Article 309 of Federal Decree Law No. (32) of 2021, the Board of Directors should call a General Assembly meeting within (30) thirty days of publishing the financial statements and this meeting should be held within (30) thirty days of date of call. The shareholders should decide in this meeting about whether to continue the Company's operations or to dissolve it prior to its prescribed.

Accounting convention

These financial statements are prepared under the historical cost convention except for the measurement at fair value of investments at fair value through profit or loss (FVTPL), investments at fair value through other comprehensive income (FVTOCI) and investment properties which are carried at fair value and the provision for employees' end of service indemnity which is measured in accordance with U.A.E labor laws. The financial statements have been presented in UAE Dirhams (AED) except when otherwise indicated.

The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: bank balances and cash, other receivables, prepayments and other assets and other payables. The following balances would generally be classified as non-current: property and equipment, investment properties, statutory deposit, deferred tax asset, deferred tax liabilities and provision for employees' end of service indemnity. The following balances are of mixed nature (including both current and non-current portions): investments at fair value through other comprehensive income, investments at fair value through profit or loss, insurance contract assets, reinsurance contract assets, insurance contract liabilities, reinsurance contract liabilities, bank term loan and lease liabilities.

4 Material accounting policies

Standards, interpretations, and amendments to existing standards

IFRS 17 Insurance Contracts

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. It introduces a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows that are expected to arise as the Company fulfils the contracts, an explicit risk adjustment for non-financial risk and a contractual service margin.

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards (continued)

IFRS 17 Insurance Contracts (continued)

Under IFRS 17, insurance revenue in each reporting period represents the changes in the liabilities for remaining coverage that relate to services for which the Company expects to receive consideration and an allocation of premiums that relate to recovering insurance acquisition cash flows. In addition, investment components are no longer included in insurance revenue and insurance service expenses.

The Company applies the PAA to simplify the measurement of all of its insurance and reinsurance contracts. When measuring liabilities for remaining coverage, the PAA is similar to the Company's previous accounting treatment. However, when measuring liabilities for outstanding claims, the Company now discounts the future cash flows (unless they are expected to occur in one year or less from the date on which the claims are incurred) and includes an explicit risk adjustment for non-financial risk.

Recognition

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

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous the Company recognises a group of reinsurance contracts held:
- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage period of the group, or the initial recognition of any underlying contract; and
- In all other cases, from the beginning of the coverage period of the group the Company adds new contracts to the group when they are issued or initiated.

Level of Aggregation

Level of aggregation relates to the unit of account under IFRS 17. The unit of account under IFRS 17 is referred to as a 'Group of Contracts' (GoCs) and requirements relating to level of aggregation define how groups of contracts have to be determined.

The standard has set out the following requirements to determine a group of contracts:

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.

For this purpose, the standard has mandated at least the following three classifications however it is permitted to use more granular classifications:

- Contracts that are onerous at inception.
- Contracts that are not onerous and have no significant possibility of becoming onerous; and
- All other contracts

Cohorts

Contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

4 Material accounting policies (continued)

Standards, interpretations, and amendments to existing standards (continued)

IFRS 17 Insurance Contracts (continued)

Level of Aggregation (continued)

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

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

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

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the year before a claim is incurred. Variability in the fulfilment cash flows increases with:

- The extent of future cash flows related to any derivatives embedded in the contracts.
- The length of the coverage year of the group of contracts.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed, plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows that the Company pays or receives before the group of insurance contracts is recognised. There is no allowance for time value of money as the premiums are mostly received within one year of the coverage year.

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

Insurance contracts – subsequent measurement

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

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

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

Insurance acquisition cash flows are allocated on a straight-line basis to statement of profit or loss.

4 Material accounting policies (continued)

Standards, interpretations and amendments to existing standards

IFRS 17 Insurance Contracts (continued)

Reinsurance contracts

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired);

Or

- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

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

Presentation

The Company has presented separately, in the statement of financial position, the carrying amount of groups of insurance contracts issued that are assets, groups of insurance contracts issued that are liabilities, reinsurance contracts held that are assets and groups of reinsurance contracts held that are liabilities.

Any assets or liabilities for insurance acquisition cash flows recognised before the corresponding insurance contracts are included in the carrying amount of the related groups of insurance contracts issued.

The Company disaggregates the total amount recognised in the statement of statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

For groups of insurance contracts measured under the PAA, the Company recognises insurance revenue based on the passage of time over the coverage period of a group of contracts where revenue is recognised based on expected timing of incurred insurance service expenses.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. The Company reassess this on quarterly basis and if at quarter end, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage year of the group of contracts the loss component will be zero.

4 Material accounting policies (continued)

Standards, interpretations and amendments to existing standards

IFRS 17 Insurance Contracts (continued)

Insurance finance income and expense

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

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

The Company do not disaggregate insurance finance income or expenses between statement of profit or loss and statement of other comprehensive income.

Net income or expense from reinsurance contracts held

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

IFRS 9 Financial instruments

Recognition, initial measurement 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 transactions costs. 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.

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. A financial liability is derecognised when it is extinguished.

Classification and subsequent measurement of financial assets

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

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, amounts due from related parties and most other assets.

4 Material accounting policies (continued)

IFRS 9 Financial instruments (continued)

Classification and subsequent measurement of financial assets (continued)

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

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

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.

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in statement of profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

4 Material accounting policies (continued)

IFRS 9 Financial instruments (continued)

Equity instruments at FVTOCI

Investments in equity instruments/funds at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities. The cumulative gain or loss will not be reclassified to statement of profit or loss on disposal of the investments in equity instruments/funds but reclassified to retained earnings. The Company has designated all investments in equity instruments that are not held for trading as FVTOCI.

Dividends on these investments in equity instruments are recognised in statement of profit or loss when the Company's right to receive the dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognised in statement of other comprehensive income and are never reclassified to statement of profit or loss.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in statement of other comprehensive income is reclassified from equity to statement of profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

(i) assets with contractual cash flows that are not SPPI; or/and

(ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or

(iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in statement of profit or loss.

Impairment

The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits; other assets that are not measured at FVTPL; and debt investments measured subsequently at amortised cost or at FVTOCI.

No impairment loss is recognised on equity investments. A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-months ECL.

The Company has elected to measure loss allowances for other assets at an amount equal to lifetime ECLs. Current accounts with banks, debt investments measured subsequently at amortised cost or at FVTOCI, fixed deposits and statutory deposits are assessed to have low credit risk as they are held with reputable local banks.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

4 Material accounting policies (continued)

IFRS 9 Financial instruments (continued)

Impairment (continued)

Forward-looking information considered includes the future prospects of the industries in which the Company's receivables operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor;
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVTOCI, and insurance and other receivables are presented in the statement of profit or loss within "(Charge)/ release of provision for impairment".

4 Material accounting policies (continued)

IFRS 9 Financial instruments (continued)

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation were derived from the Company's internally developed statistical models and other historical data. They were adjusted to reflect forward-looking information.

The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach.

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried are credit impaired.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of property and equipment. The following estimated useful lives are applied:

• Furniture and equipment	5-10 years
• Computers and office equipment	2-5 years
• Motor vehicles	4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their value less costs to sell and their value in use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of profit or loss as the expense is incurred.

Capital work in progress

Capital work in progress is stated at the lower of cost or net realisable value. The cost includes the cost of construction and other related expenditure which are capitalised as and when activities that are necessary to get the assets ready for use are in progress. Net realisable value represents the estimated recoverable value based on expected future usage. Management reviews the carrying values of the capital work in progress on an annual basis.

4 Material accounting policies (continued)

Capital work in progress (continued)

Capital work in progress are considered to be completed when all related activities, for the entire assets have been completed. Upon completion, those are transferred to property and equipment.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

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

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use. (refer Note 6 for valuation techniques and inputs).

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less in the statement of financial position which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use is subsequently depreciated using the straight-line method from the 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 estimated useful life of the right-of-use asset is determined on the same basis as those of lease contract period. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

4 Material accounting policies (continued)

Leases (continued)

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statement of profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Employee benefits

Annual leave and leave passage.

An accrual is made for the estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the year.

Provision for employees' end of service indemnity
Provision is made for the full amount of end of service benefits due to non-UAE national employees in accordance with the U.A.E Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

Bank borrowing

Short team bank borrowing is secured by assignment of certain investments in favor of financial institutions. These loans carry a fixed interest rate of 0.65% per annum. Short-term loans are utilized for Company's operational activities.

Defined contribution plan

UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to UAE Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to statement of profit or loss.

Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Judgements and estimates

The preparation of these financial statements requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

In preparing these financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2023.

4 Material accounting policies (continued)

Judgements and estimates (continued)

Measurement of the expected credit loss ("ECL") allowance

The measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on the credit loss allowance for debt instruments carried at amortised cost, FVTOCI investments, bank balances and fixed deposits: definition of default, significant increase in credit risk, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") and the historical loss experience per ageing bucket has the major impact on the credit loss allowance for Insurance and other receivables. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on recent arm's length market transactions, current fair value of another instrument that is substantially the same, the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics, or other valuation models.

Fair value of investment properties

Determining the fair value requires an estimation of future cash flows expected to arise from the investment properties, a suitable growth rate, expected occupancy and a suitable discount rate in order to calculate the present value. It is reasonably possible on the basis of the existing knowledge that outcomes within next financial year that are different from estimates made could require material adjustment to the fair value of the investment properties.

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to recognise the payments as an expense immediately (coverage period of a year or less) for its property insurance product line. For personal accident insurance, marine insurance and liability reinsurance products, acquisition costs are capitalised.

***Liability for remaining coverage* (continued)**

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is 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 statement of income 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 fulfilment cash flows. For the marine and personal insurance product lines, the Company adjusts the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk using discount rates that reflect the characteristics of the cash flows of the group of insurance contracts at initial recognition.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Expected Loss Ratio, 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 claim's development data on which the projections are based.

4 Material accounting policies (continued)

Judgements and estimates (continued)

Liability for incurred claims (continued)

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.

Some of the insurance contracts that have been written in the property line of business permit the Company to sell property acquired in settling a claim. The Company also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

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

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk free rate, plus an illiquidity premium where applicable. Risk free rates are determined by reference to the yields of highly liquid AAA-rated sovereign securities in the currency of the insurance contract liabilities. The illiquidity premium is determined by reference to observable market rates. Discount rates applied for discounting of future cash flows are listed below:

	1 year		3 years		5 years		10 years	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
Insurance contracts issued:								
AED	**5.21%**	5.95%	**5.09%**	4.91%	**5.05%**	4.69%	**5.10%**	4.64%

Reinsurance contracts issued:

	1 year		3 years		5 years		10 years	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
AED	**5.21%**	5.95%	**5.09%**	4.91%	**5.05%**	4.69%	**5.10%**	4.64%

Risk adjustment for non-financial risk

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 at the 65th percentile for motor and medical lines of business and 70th percentile for the others. 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.

5 Property and equipment

	2024 AED	2023 AED
Capital work in progress (Note 5.1)	**311,614**	120,811
Operating assets (Note 5.2)	**9,301,530**	11,645,602
	9,613,144	11,766,413

5.1 Capital work in progress includes an amount of AED 311,614 (2023: AED 120,811) mainly towards costs incurred on leasehold improvements and computers and office equipment. Below is the movement of capital work in progress.

	2024 AED	2023 AED
Opening capital work in progress	**120,811**	791,273
Add: additions during the year	**291,933**	252,280
Less: capitalised during the year	**(101,130)**	(922,742)
Closing capital work in progress	**311,614**	120,811

5 Property and equipment (continued)

5.2 Operating assets

	Furniture and equipment AED	Computers and office equipment AED	Motor vehicles AED	Right to use assets AED	Total AED
Cost:					
At 1 January 2024	6,464,782	4,885,766	128,977	11,948,391	23,427,916
Additions during the year	-	409,497	200,694	-	610,191
At 31 December 2024	6,464,782	5,295,263	329,671	11,948,391	24,038,107
Depreciation:					
At 1 January 2024	2,466,831	3,869,377	128,977	5,317,129	11,782,314
Charge for the year	711,758	459,298	25,087	1,758,120	2,954,263
At 31 December 2024	3,178,589	4,328,675	154,064	7,075,249	14,736,577
Net carrying amount:					
At 31 December 2024	3,286,193	966,588	175,607	4,873,142	9,301,530

The table below describes nature of the Company's leasing activities by type of right to use asset recognised as per the detailed movement of operating assets:

Right to use asset description	Number of right to use assets leased	Remaining term	Number of leases with extension option	Number of leases with purchase option	Number of leases with variable payments	Number of leases with termination option
Office premises	4	1-5 years	-	-	-	-

5 Property and equipment (continued)

5.2 Operating assets (continued)

	Furniture and equipment AED	Computers and office equipment AED	Motor vehicles AED	Right to use assets AED	Total AED
Cost:					
At 1 January 2023	5,561,028	4,476,290	128,977	22,882,650	33,048,945
Additions during the year	45,552	344,936	-	1,396,211	1,786,699
Adjustment due to termination during the year	-	-	-	(12,330,470)	(12,330,470)
Transferred from capital work in progress (note 5.1)	858,202	64,540	-	-	922,742
At 31 December 2023	6,464,782	4,885,766	128,977	11,948,391	23,427,916
Depreciation:					
At 1 January 2023	1,713,200	3,347,941	128,977	5,689,240	10,879,358
Charge for the year	753,631	521,436	-	4,051,532	5,326,599
Adjustment due to termination during the year	-	-	-	(4,423,643)	(4,423,643)
At 31 December 2023	2,466,831	3,869,377	128,977	5,317,129	11,782,314
Net carrying amount:					
At 31 December 2023	3,997,951	1,016,389	-	6,631,262	11,645,602

6 Investment Properties

	2024 AED	2023 AED
Balance at the beginning of the year	**46,639,999**	46,783,999
Changes in fair value during the year (note 22)	**(86,000)**	(144,000)
Balance at the end of the year	**46,553,999**	46,639,999

The fair value of the Company's investment properties as at 31 December 2024 has been arrived at on the basis of valuation carried on 31 December 2024 by two independent valuers who have appropriate qualifications and recent market experience in the valuation properties in the United Arab Emirates.

The fair value was determined based on the discounted cashflow method and income capitalisation method. In capitalisation of net income method, the market rentals of all lettable units are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar property in the area. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers of similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to respective properties. Discounted cashflow method derives value by discounting future cash flows based on prevailing micro market conditions in the vicinity of the asset.

The fair values of all the investment properties were determined based on unobservable inputs (i.e. level 3). The rental income and operating expenses relating to these properties are as follows:

	2024 AED	2023 AED
Rental income	**2,831,133**	2,594,542
Investment properties expenses	**(801,164)**	(711,482)
Net rental income	**2,029,969**	1,883,060

7 Financial investments

	2024 AED	2023 AED
Financial assets at fair value through other comprehensive income	**126,972,140**	113,580,481
Financial assets at fair value through profit and loss	**154,527,065**	155,987,108
	281,499,205	269,567,589

Financial asset at fair value through other comprehensive income (FVTOCI)

	2024 AED	2023 AED
Inside UAE	**126,628,956**	113,233,171
Outside UAE	**343,184**	347,310
	126,972,140	113,580,481

7 Financial investments (continued)

Financial asset at fair value through other comprehensive income (FVTOCI) (continued)

Movements in financial investments

The gross movements in equity investments at FVTOCI is as follows:

	2024 AED	2023 AED
Opening balance	**113,580,481**	122,132,728
Purchased during the year	**58,918,371**	66,038,520
Sold during the year	**(65,697,701)**	(86,159,802)
Changes in fair value during the year	**20,170,989**	11,569,035
Closing balance	**126,972,140**	113,580,481

Financial asset at fair value through profit or loss (FVTPL)

	2024 AED	2023 AED
Unquoted equity securities – outside UAE	**2,305,164**	2,279,007
Unquoted mutual fund units – outside UAE	**104,488,693**	102,816,962
Unquoted investments in real estate fund – outside UAE	**47,733,208**	50,891,139
	154,527,065	155,987,108

The gross movements in investments at FVTPL is as follows:

	2024 AED	2023 AED
Opening balance	**155,987,108**	103,295,993
Purchased during the year	**18,858,384**	82,003,515
Sold during the year	**(17,889,552)**	(28,784,371)
Changes in fair value during the year (note 22)	**(2,428,875)**	(528,029)
Closing balance	**154,527,065**	155,987,108

Financial investments amounting to AED 71,428,571 are under lien against the Bank borrowing (note 19)

8 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Fair value of the Company's financial assets that are measured at fair value on recurring basis.
Table in the next page provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

8 Fair value of financial instruments (continued)

	2024 AED	2023 AED	*Fair value hierarchy*	*Valuation techniques and key inputs*
Financial asset at FVTOCI				
Quoted investments	**126,972,140**	113,580,481	Level 1	Quoted bid prices in an active market
Financial asset at FVTPL				
Unquoted investments	**154,527,065**	155,987,108	Level 3	Net assets valuation method

There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table. There were no transfers between levels during the year (2023: nil).

9 Insurance and reinsurance contracts

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

The roll-forward of the 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 below:

Contracts measured under the PAA

	Liabilities for remaining coverage		Liabilities for incurred claims		
2024	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Total AED
Insurance contract liabilities as at 1 January	**126,274,391**	**20,876,146**	**304,650,502**	**13,697,488**	**465,498,527**
Insurance revenue	**(606,962,559)**	**-**	**-**	**-**	**(606,962,559)**
Insurance service expenses	**130,921,098**	**6,916,563**	**762,389,495**	**19,218,453**	**919,445,609**
Incurred claims and other expenses	**-**	**-**	**681,905,703**	**30,413,383**	**712,319,086**
Amortisation of insurance acquisition cash flows	**130,921,098**	**-**	**-**	**-**	**130,921,098**
Losses on onerous contracts	**-**	**6,916,563**	**-**	**-**	**6,916,562**
Changes to liabilities for incurred claims	**-**	**-**	**80,483,792**	**(11,194,930)**	**69,288,862**
Insurance service result	**(476,041,461)**	**6,916,563**	**762,389,495**	**19,218,453**	**312,483,050**
Insurance finance expense	**-**	**-**	**6,711,379**	**-**	**6,711,379**
Total changes in the statement of profit or loss	**(476,041,461)**	**6,916,563**	**769,100,874**	**19,218,453**	**319,194,429**
Cash flows					
Premiums received	**624,758,186**	**-**	**-**	**-**	**624,758,186**
Claims and other expenses paid	**-**		**(570,064,587)**	**-**	**(570,064,587)**
Insurance acquisition cash flows	**(143,853,876)**	**-**	**-**	**-**	**(143,853,876)**
Total cash flows	**480,904,310**	**-**	**(570,064,587)**	**-**	**(89,160,277)**
Insurance contract liabilities as at 31 December	**131,137,240**	**27,792,709**	**503,686,789**	**32,915,941**	**695,532,679**
2023					
Insurance contract liabilities as at 1 January	48,545,673	11,492,744	264,488,072	16,003,261	340,529,750
Insurance revenue	(566,162,066)	-	-	-	(566,162,066)
Insurance service expenses	107,194,291	9,383,402	446,322,380	(2,305,773)	560,594,300
Incurred claims and other expenses	-	-	441,078,140	12,883,733	453,961,873
Amortisation of insurance acquisition cash flows	107,194,291	-	-	-	107,194,291
Losses on onerous contracts	-	9,383,402	-	-	9,383,402
Changes to liabilities for incurred claims	-	-	5,244,240	(15,189,506)	(9,945,266)
Insurance service result	(458,967,775)	9,383,402	446,322,380	(2,305,773)	(5,567,766)
Insurance finance expense	-	-	6,773,662	-	6,773,662
Total changes in the statement of profit or loss	(458,967,775)	9,383,402	453,096,042	(2,305,773)	1,205,896
Cash flows					-
Premiums received	654,946,688	-	-	-	654,946,688
Claims and other expenses paid	-	-	(412,933,612)	-	(412,933,612)
Insurance acquisition cash flows	(118,250,195)	-	-	-	(118,250,195)
Total cash flows	536,696,493	-	(412,933,612)	-	123,762,881
Net insurance contract liabilities as at 31 December	126,274,391	20,876,146	304,650,502	13,697,488	465,498,527

9 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims

Contracts measured under the PAA

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED	Loss recovery component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Total AED
Reinsurance contract assets as at 1 January	15,456,330	7,439,234	179,427,908	10,477,701	212,801,173
Reinsurance contract liabilities as at 1 January	(7,576,498)	-	2,117,884	16,209	(5,442,405)
Net reinsurance contract assets	7,879,832	7,439,234	181,545,792	10,493,910	207,358,768
Allocation of reinsurance premiums	(324,743,039)	-	-	-	(324,743,039)
Amounts recoverable from reinsurers for incurred claims	-	4,751,925	527,479,944	16,395,275	548,627,144
Amounts recoverable for incurred claims and other expenses	-	-	426,334,960	30,669,956	457,004,917
Loss-recovery on onerous underlying contracts and adjustments	-	4,751,925	-	-	4,751,925
Changes to amounts recoverable for incurred claims	-	-	101,144,984	(14,274,682)	86,870,302
Net income or expense from reinsurance contracts	(324,743,039)	4,751,925	527,479,944	16,395,275	223,884,105
Reinsurance finance income	-	-	4,815,609	-	4,815,609
Total changes in the statement of profit or loss	(324,743,039)	4,751,925	532,295,555	16,395,275	228,699,716
Cash flows					
Premiums paid	363,944,799	-	-	-	363,944,799
Amounts received	-	-	(352,945,692)	-	(352,945,692)
Total cash flows	363,944,799	-	(352,945,692)	-	10,999,107
Net reinsurance contract assets/(liabilities) as at 31 December					
Reinsurance contract assets as at 31 December	61,007,938	12,050,543	350,915,970	26,888,269	450,862,720
Reinsurance contract liabilities as at 31 December	(13,926,347)	140,615	9,979,685	915	(3,805,132)
Net reinsurance contract assets as at 31 December	47,081,591	12,191,158	360,895,655	26,889,184	447,057,588

9 Insurance and reinsurance contracts (continued)

Roll-forward of net asset or liability for reinsurance contracts held showing the assets for remaining coverage and the amounts recoverable on incurred claims (continued)

Contracts measured under the PAA (continued)

2023	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED	Loss recovery component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Total AED
Reinsurance contract assets as at 1 January	(19,697,040)	3,276,163	157,183,982	9,703,745	150,466,850
Reinsurance contract liabilities as at 1 January	(8,600,444)	-	1,032,589	67,253	(7,500,602)
Net reinsurance contract (liabilities)/assets	(28,297,484)	3,276,163	158,216,571	9,770,998	142,966,248
Allocation of reinsurance premiums	(311,311,919)		-	-	(311,311,919)
Amounts recoverable from reinsurers for incurred claims	-	4,163,071	268,225,803	722,912	273,111,786
Amounts recoverable for incurred claims and other expenses	-	-	269,343,124	11,804,207	281,147,331
Loss-recovery on onerous underlying contracts and adjustments	-	4,163,071	-	-	4,163,071
Changes to amounts recoverable for incurred claims	-	-	(1,117,321)	(11,081,295)	(12,198,616)
Net income or expense from reinsurance contracts held	(311,311,919)	4,163,071	268,225,803	722,912	(38,200,133)
Reinsurance finance income	-	-	4,701,969	-	4,701,969
Total changes in the statement of comprehensive income	(311,311,919)	4,163,071	272,927,772	722,912	(33,498,164)
Cash flows					-
Premiums paid	347,489,235	-	-	-	347,489,235
Amounts received	-	-	(249,598,551)	-	(249,598,551)
Total cash flows	347,489,235	-	(249,598,551)	-	97,890,684
Net reinsurance contract assets/(liabilities) as at 31 December					
Reinsurance contract assets as at 31 December	15,456,330	7,439,234	179,427,908	10,477,701	212,801,173
Reinsurance contract liabilities as at 31 December	(7,576,498)	-	2,117,884	16,209	(5,442,405)
Net reinsurance contract assets as at 31 December	7,879,832	7,439,234	181,545,792	10,493,910	207,358,768

9 Insurance and reinsurance contracts (continued)

Claims development table:

The following table reflects the cumulative gross incurred claims for each successive accident year at each statement of financial position date, together with cumulative payments to date:

	2017 and prior AED	2018 AED	2019 AED	2020 AED	2021 AED	2022 AED	2023 AED	2024 AED	Total AED
At the end of each reporting year	99,873,093	68,767,049	124,181,955	186,449,228	235,393,119	326,099,212	380,143,565	660,832,768	660,832,768
One year later	97,369,318	69,780,235	132,428,070	190,633,629	249,598,199	349,021,846	436,522,903	-	436,522,903
Two years later	90,712,533	68,789,796	130,871,951	192,773,022	248,101,789	350,284,731	-	-	350,284,731
Three years later	88,080,342	66,775,558	128,984,369	194,758,610	241,549,417	-	-	-	241,549,417
Four years later	83,415,103	66,603,968	127,531,059	258,450,545	-	-	-	-	258,450,545
Five years later	80,740,268	66,461,065	127,092,830	-	-	-	-	-	127,092,830
Six years later	81,051,242	66,594,773	-	-	-	-	-	-	66,594,773
Seven years later	82,536,749	-	-	-	-	-	-	-	82,536,749
Estimate of cumulative claims	82,536,749	66,594,773	127,092,830	258,450,545	241,549,417	350,284,731	436,522,903	660,832,768	2,223,864,716
Cumulative payments to date	80,760,751	66,545,921	125,532,109	244,060,529	235,716,733	302,329,572	393,341,520	401,069,714	1,849,356,849
Unallocated loss adjustment expense reserve	-	-	-	-	-	-	-	2,055,363	2,055,363
Claims payable	657,876	18,096	578,132	5,330,437	2,160,579	17,763,843	15,995,512	96,984,378	139,488,853
Total gross undiscounted liabilities for incurred claims	**2,433,874**	**66,948**	**2,138,854**	**19,720,453**	**7,993,262**	**65,719,003**	**59,176,895**	**358,802,795**	**516,052,084**
Effect of discounting	-	-	-	-	-	-	-	12,365,297	12,365,297
Total discounted gross reserves included in the statement of financial position	-	-	-	-	-	-	-	-	**503,686,791**
Risk Adjustments	-	-	-	-	-	-	-	-	32,915,941

During the year ended 31 December 2024, UAE witnessed unprecedented heavy rainfall causing significant damages to properties and vehicles. These events largely contributed to the increase in the reported and paid claims of the Company majorly in motor and property portfolios.

10 Prepayments and other assets

	2024 AED	2023 AED
Accrued income	**5,283,022**	2,522,266
Advances to employees	**1,258,708**	868,554
Security deposits	**289,068**	343,102
Prepayments	**65,869**	634,328
Others	**423,033**	171,042
	7,319,700	4,539,292

11 Statutory Deposits

As at 31 December 2024, deposit of AED 10,000,000 (2023: AED 10,000,000) has been placed with one of the Company's bank account in accordance with UAE Federal Law No. 48 of 2023. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favor of the Central Bank of the United Arab Emirates ("CBUAE") for the same amount. This deposit cannot be withdrawn without prior approval of the Central Bank of the United Arab Emirates and bears an interest rate of 5% per annum (2023: 4.3% per annum).

12 Bank balances and cash

Bank balances and cash comprise the following statement of financial position amounts:

All balances are held in United Arab Emirates. The annual rate of fixed deposits is 4.30% to 4.35% (2023: 4.9% to 5.00%) per annum.

Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	2024 AED	2023 AED
Bank balances and cash	**21,971,602**	76,228,358
Bank deposits with original maturity over 3 months	**(3,000,000)**	(13,000,000)
Cash and cash equivalents	**18,971,602**	63,228,358

13 Share capital

	2024 AED	2023 AED
Issued and fully paid:		
160,000,000 ordinary shares of AED 1 each	**160,000,000**	160,000,000

14 Statutory reserve

In accordance with the UAE Federal Decree Law No. 32 of 2021, the Company has established a statutory reserve by appropriation of 10% of the Company's net profit for each year which will be increased until the reserve equals 50% of the share capital. This reserve is not available for distribution, except as stipulated by the Law. During the year no amount was transferred to the reserve as the Company incurred loss for the year ended 31 December 2024 (2023: nil).

15 General reserve

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors' and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors', approved by a Shareholders' resolution. During the year and last year, no transfers were made to general reserves.

16 Reinsurance reserve

In accordance with Central Bank of the United Arab Emirates' Board of Directors' Decision No. 23 of 2019, Article 34, an amount of AED 1,338,960 (2023: AED 1,812,650) based on the reinsurance share of premium at a rate of 0.5% was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of the United Arab Emirates.

17 Basic and diluted loss per share

	2024 AED	2023 AED
Loss for the year after tax	**(64,403,736)**	(17,431,932)
Weighted average number of shares	**160,000,000**	160,000,000
Loss per share	**(0.403)**	(0.109)

Basic and diluted loss per share are calculated by dividing the loss for the year after tax by the weighted average number of shares during the year. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

18 Employees' end of service benefits

Movements in the provision recognised in the statement of financial position are as follows:

	2024 AED	2023 AED
Provision as at 1 January	**4,484,362**	4,149,775
Provided during the year	**1,170,498**	978,192
End of service benefits paid	**(1,963,627)**	(643,605)
Provision as at 31 December	**3,691,233**	4,484,362

19 Bank borrowing

	2024 AED	2023 AED
Bank borrowing	**20,000,000**	-

During the year ended 31 December 2024, the Company entered into a term loan facility with a Bank in United Arab Emirates for an amount of AED 50,000,000, out of which AED 20,000,00 has been drawn as of the reporting date. The facility carried an effective interest rate of 3-month EIBOR + 0.65% and penal interest of 2% per annum.

Bank borrowing is secured by assignment of custody/lien over the financial investments amounting to AED 71,428,571. Bank borrowings are utilised for Company's operational activities.

20 Lease liabilities

The Company has leases for the office premises within UAE as at 31 December 2024., each lease is reflected on the statement of financial position as a right to use asset and a lease liability. The Company classifies its right to use assets in a consistent manner to its property and equipment. Future minimum lease payments as at 31 December 2024 were as mentioned below:

	Within 1 year AED	**1-5 years AED**	**After 5 years AED**	**Total AED**
31 December 2024				
Lease payments	**1,621,726**	**4,599,209**	**-**	**6,220,935**
Finance charges	**(262,776)**	**(317,746)**	**-**	**(580,522)**
Net present values	**1,358,950**	**4,281,463**	**-**	**5,640,413**

	Within 1 year AED	1-5 years AED	After 5 years AED	Total AED
31 December 2023				
Lease payments	1,939,136	6,170,841	-	8,109,977
Finance charges	(341,949)	(580,523)	-	(922,472)
Net present values	1,597,187	5,590,318	-	7,187,505

21 Other payables

	2024 AED	2023 AED
Accrued expenses	**7,802,747**	6,004,379
VAT payables	**3,735,464**	6,053,024
Rental deposits	**1,529,570**	1,648,465
Other payables	**4,056,207**	3,039,581
	17,123,988	16,745,449

22 Insurance service expense

	2024 AED	2023 AED
Incurred claims and other expenses	**712,319,086**	453,961,873
Amortisation of insurance acquisition cash flows	**130,921,098**	107,194,291
Losses on onerous contracts	**6,916,562**	9,383,402
Changes to liabilities for incurred claims	**69,288,863**	(9,945,266)
Insurance service expense	**919,445,609**	560,594,300

Social contributions during the year ended 31 December 2024 amounted to AED 154,325 (31 December 2023: AED 185,848).

23 Total investment income and net insurance financial result

	2024 AED	2023 AED
Rental income from investment properties	**2,831,133**	2,594,542
Losses on revaluation of investment properties (note 6)	**(86,000)**	(144,000)
Investment properties expenses	**(801,164)**	(711,482)
Income from investment property - net	**1,943,969**	1,739,060
Interest on fixed deposits	**869,724**	1,379,056
(Loss) / gain on disposal of investments at FVTPL	**(917,258)**	491,846
Dividend income - investments at FVTOCI	**9,069,082**	5,224,696
Dividend income - investments at FVTPL	**4,245,970**	4,565,661
Interest income on bonds	**5,755,142**	5,079,042
Other investment expenses	**(76,998)**	(241,218)
Loss in fair value of investments at FVTPL (note 7)	**(2,428,875)**	(528,029)
Net investment income	**18,460,756**	17,710,114

Insurance and reinsurance finance income and expense

31 December 2024	Commercial AED	Motor Consumer AED	Employee benefits AED	Total AED
Insurance finance expenses for insurance contracts issued				
Interest accreted to insurance contracts using current financial assumptions	**(4,078,071)**	**(1,955,051)**	**(1,775,323)**	**(7,808,445)**
Due to changes in interest rates and other financial assumptions	**806,187**	**192,258**	**98,621**	**1,097,066**
Total insurance finance expenses for insurance contracts issued	**(3,271,884)**	**(1,762,793)**	**(1,676,702)**	**(6,711,379)**
Represented by:				
Amounts recognised in profit or loss	**(3,271,884)**	**(1,762,793)**	**(1,676,702)**	**(6,711,379)**
Reinsurance finance income from reinsurance contracts held				
Interest accreted to reinsurance contracts using current financial assumptions	**3,844,259**	**584,434**	**1,304,381**	**5,733,074**
Due to changes in interest rates and other financial assumptions	**(732,585)**	**(107,333)**	**(77,547)**	**(917,465)**
Total reinsurance finance income from reinsurance contracts held	**3,111,674**	**477,101**	**1,226,834**	**4,815,609**
Represented by:				
Amounts recognised in profit or loss	**3,111,674**	**477,101**	**1,226,834**	**4,815,609**
Net insurance finance expense	**(160,210)**	**(1,285,692)**	**(449,868)**	**(1,895,770)**
Represented by:				
Amounts recognised in profit or loss	**(160,210)**	**(1,285,692)**	**(449,868)**	**(1,895,770)**

23 Total investment income and net insurance financial result (continued)

Insurance and reinsurance finance income and expense (continued)

31 December 2023	Commercial AED	Motor Consumer AED	Employee benefits AED	Total AED
Insurance finance expenses for insurance contracts issued				
Interest accreted to insurance contracts using current financial assumptions	(4,074,088)	(1,996,748)	(907,033)	(6,977,869)
Due to changes in interest rates and other financial assumptions	121,672	40,480	42,055	204,207
Total insurance finance expenses for insurance contracts issued	(3,952,416)	(1,956,268)	(864,978)	(6,773,662)
Represented by:				
Amounts recognised in profit or loss	3,952,416	1,956,268	864,978	6,773,662
Reinsurance finance income from reinsurance contracts held				
Interest accreted to reinsurance contracts using current financial assumptions	3,941,338	282,315	623,013	4,846,666
Due to changes in interest rates and other financial assumptions	(99,756)	(11,985)	(32,956)	(144,697)
Total reinsurance finance income from reinsurance contracts held	3,841,582	270,330	590,057	4,701,969
Represented by:				
Amounts recognised in profit or loss	3,841,582	270,330	590,057	4,701,969
Net insurance finance expense	(110,834)	(1,685,938)	(274,921)	(2,071,693)
Represented by:				
Amounts recognised in profit or loss	(110,834)	(1,685,938)	(274,921)	(2,071,693)

24 Related party balances and transactions

Related parties represent, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management. At the end of the year, significant balances due from related parties are as follows:

	2024 AED	2023 AED
Affiliates of major shareholders:		
Insurance contract liabilities	**(1,961,250)**	(5,207,946)
Liability for incurred claims	**(3,842,960)**	(5,142,571)
Other receivables	**597,894**	548,966

24 Related party balances and transactions (continued)

Transactions

During the year, the Company entered into the following transactions with related parties:

	2024 AED	2023 AED
Affiliates of major shareholders:		
Insurance revenue	**10,502,116**	19,729,069
Insurance service expenses	**(31,877,421)**	(29,718,178)
Net payment to reinsurance brokers	**(6,069,266)**	(12,004,382)
Employee benefits to key management personnel	**9,948,794**	8,593,250

25 Segment Information

For management purposes, the Company is organized into three business segments commercial, consumer and employee benefits (medical and group Life). The commercial insurance segment comprises engineering, marine, property, liability and casualty and consumer segment comprises of motor, pet, travel and others. These segments are the basis on which the Company reports its primary segment information. Segment-wise information is disclosed below:

31 December 2024

	Commercial AED	Consumer AED	Employee benefits AED	Total AED
Insurance revenue	**140,478,183**	**211,295,725**	**255,188,651**	**606,962,559**
Insurance service expenses	**(387,420,091)**	**(301,535,362)**	**(230,490,156)**	**(919,445,609)**
Insurance service result before reinsurance contracts held	**(246,941,908)**	**(90,239,637)**	**24,698,495**	**(312,483,050)**
Amounts recoverable from reinsurance	**313,715,740**	**107,759,966**	**127,151,438**	**548,627,144**
Allocation of reinsurance premiums	**(105,362,292)**	**(64,765,995)**	**(154,614,752)**	**(324,743,039)**
Net expenses from reinsurance contracts held	**208,353,448**	**42,993,971**	**(27,463,314)**	**223,884,105**
Insurance Service Result	**(38,588,460)**	**(47,245,666)**	**(2,764,819)**	**(88,598,945)**

31 December 2023	Commercial AED	Consumer AED	Employee benefits AED	Total AED
Insurance revenue	139,535,685	115,970,506	310,655,875	566,162,066
Insurance service expenses	(96,810,884)	(144,246,223)	(319,537,193)	(560,594,300)
Insurance service result before reinsurance contracts held	42,724,801	(28,275,717)	(8,881,318)	5,567,766
Amounts recoverable from reinsurance	52,968,854	22,157,033	197,985,899	273,111,786
Allocation of reinsurance premiums	(91,988,382)	(22,850,640)	(196,472,897)	(311,311,919)
Net expenses from reinsurance contracts held	(39,019,528)	(693,607)	1,513,002	(38,200,133)
Insurance Service Result	3,705,273	(28,969,324)	(7,368,316)	(32,632,367)

25 Segment Information (continued)

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

31 December 2024

	Commercial AED	Consumer AED	Employee benefits AED	Total AED
Insurance contract liabilities	**(357,402,988)**	**(151,610,693)**	**(186,518,997)**	**(695,532,679)**
Reinsurance contract assets	**309,479,161**	**69,160,039**	**72,223,520**	**450,862,720**
Reinsurance contract liabilities	**(2,630,252)**	**(55,138)**	**(1,119,742)**	**(3,805,132)**

31 December 2023

	Commercial AED	Consumer AED	Employee benefits AED	Total AED
Insurance contract liabilities	(162,328,214)	(173,513,014)	(129,657,299)	(465,498,527)
Reinsurance contract assets	134,619,311	43,258,138	34,923,724	212,801,173
Reinsurance contract liabilities	-	(1,776,586)	(3,665,819)	(5,442,405)

26 Gross Written Premiums

Details relating to gross written contributions are disclosed below to comply with the requirements of CBUAE and are not calculated as per the requirements of IFRS 17.

2024	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of business combined AED
Direct written premiums	**1,544,537**	**-**	**230,561,421**	**340,018,165**	**572,124,123**
Assumed business:				**-**	**-**
Foreign	**-**	**-**	**-**	**-**	**-**
Local	**-**	**-**	**-**	**1,782,152**	**1,782,152**
Total assumed business	**-**	**-**	**-**	**1,782,152**	**1,782,152**
Total gross written premiums	**1,544,537**	**-**	**230,561,421**	**341,800,317**	**573,906,275**

2023	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of business combined AED
Direct written premiums	2,865,754	-	320,196,528	326,460,405	649,522,687
Assumed business:					
Foreign	-	-	-	205,803	205,803
Local	-	-	-	3,828,042	3,828,042
Total assumed business	-	-	-	4,033,845	4,033,845
Total gross written premiums	2,865,754	-	320,196,528	330,494,250	653,556,532

27 Contingencies and commitments

Contingent liabilities

	2024 AED	2023 AED
Letters of guarantee	**11,114,948**	11,074,948

Letters of guarantee includes AED 10 million (31 December 2023: AED 10 million) issued in favour of the CBUAE. The Company in common with the significant majority of insures, is subject to litigation in normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Company's financial performance or financial position.

28 Risk management

(a) Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive Officer and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Executive Officer under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The Company's current enterprise risk management framework is formally documented and divided into three phases. The Company's enterprise risk management framework is established to identify and analyse the key risks faced by the Company's to set appropriate controls and manage those risks. As part of the risks identification process, the Company uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Company's risk appetite is derived from the changes to capital.

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to insurance liabilities. The solvency margin must be maintained at all times throughout the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these Regulations. The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these solvency margins as defined in the Regulations.

28 Risk management (continued)

(b) Capital management framework (continued)

	31 December 2024 AED	31 December 2023 AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**161,168,000**	108,647,062
Minimum Guarantee Fund (MGF)	**72,961,000**	60,561,719
Basic Own Funds	**6,089,000**	103,509,027
MCR Solvency Margin (Deficit)/ Surplus	**(93,911,000)**	3,509,027
SCR Solvency Margin Deficit	**(155,079,000)**	(5,138,035)
MGF Solvency margin (Deficit)/ Surplus	**(66,872,000)**	42,947,309

As of 31 December, the Company had a SCR Solvency Margin Deficit of AED 155.1 million as compared to the SCR capital requirements of AED 161.2 million. The Company will submit a detailed solvency recovery plan to the Central Bank of UAE to restore the solvency position.

(c) Regulatory framework

Regulators are primarily interested in protecting the rights of the policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, the regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters. The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders. The Company actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts. The Company regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities. The risks faced by the Company and the way these risks are mitigated by management are summarised below.

28A Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

28 Risk management (continued)

28A Insurance risk (continued)

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly medical, property, motor, marine, fire, engineering and general accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property

Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to AED 1,470,000 (2023: AED 1,470,000).

Motor

Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles. For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has reinsurance cover for such claims to limit losses for any individual claim to AED 300,000 (2023: AED 300,000). The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargos. For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance to limit losses for any individual claim to AED 1,470,000 (2023: AED 1,470,000).

Medical

Medical insurance is designed to compensate the contract holders for medical costs. For medical insurance, the main risks are illness and related healthcare costs. The Company generally does not offer medical insurance to walk-in customers. Medical insurance is generally offered to corporate customers with large population to be covered under the policy.

Reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

28 Risk management (continued)

28B Financial risk

The Company's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and other comprehensive income), receivables arising from insurance and reinsurance contracts, statutory deposits, cash and cash equivalents, trade and other payables, and re-insurance balance payables. The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are market risk credit risk, liquidity risk, foreign currency risk and interest rate risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks may arise from open positions in (a) foreign currencies and (b) interest bearing assets andequity, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a regular basis.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

There are no significant exchange rate risks as all monetary assets and monetary liabilities are denominated in Arab Emirates Dirhams, or US Dollars to which the Dirham is fixed.

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Company has not hedged its foreign currency balances.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is not significantly exposed to interest rate risk on investments in bonds and term deposits since they carry fixed interest rates. As such, the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company generally manages to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

The Company is exposed to interest rate risk on:

(i) Liability for incurred claims; and
(ii) Asset for incurred claims.

The tables in the next page shows the impact of change in risk adjustment and discounting on liability for incurred claims and assets for incurred claims:

28 Risk management (continued)

28B Financial risk

Interest rate risk (continued)

31 December 2024

	Impact on profit gross of reinsurance	Impact on profit net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	AED	AED	AED	AED
Risk Adjustment				
5% increase	**1,645,797**	**301,338**	**1,645,797**	**301,338**
5% decrease	**(1,645,797)**	**(301,338)**	**(1,645,797)**	**(301,338)**
Discounting				
0.5% increase	**(1,223,443)**	**(212,964)**	**(1,223,443)**	**(212,964)**
0.5% decrease	**1,235,716**	**215,074**	**1,235,716**	**215,074**

31 December 2023	Impact on profit gross of reinsurance	Impact on profit net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
	AED	AED	AED	AED
Risk adjustment				
5% increase	684,874	160,179	684,874	160,179
5% decrease	(684,874)	(160,179)	(684,874)	(160,179)
Discounting				
0.5% increase	(801,463)	(203,399)	(801,463)	(203,399)
0.5% decrease	809,521	205,245	809,521	205,245

28 Risk management (continued)

28b Financial risk (continued)

Credit risk

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

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

- reinsurance contract assets;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from other insurance companies;
- investments in debt instruments;
- cash and cash equivalents excluding cash in hand; and
- fixed deposits

The Company has adopted a policy of 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 counterparty limits that are reviewed and approved by Management annually. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract.

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance and other receivables and subsequent write-offs.

Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

The Company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions.

The table below presents an analysis of bank balances and fixed deposits with original maturity of less than three months by rating agency designation at the end of the reporting period based on Fitch's rating or its equivalent for the main banking relationships:

29 Risk management (continued)

28b Financial risk (continued)

Credit risk (continued)

	As at 31 December	
	2024	2023
	AED	AED
A+	**6,036,450**	29,679,157
A-	**965,812**	1,013,412
A	**746,677**	5,990,996
AA-	**739,950**	8,159,071
B	**10,166,008**	15,147,097
BB	**-**	2,922,760
BBB+	**316,705**	315,865
	18,971,602	63,228,358

Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities to ensure that funds are available to meet its commitments for liabilities as they fall due.

The table on the next page summarises the maturity of the assets and liabilities of the Company based on remaining contractual settlement dates.

28 Risk management (continued)

28B Financial risk (continued)

Liquidity risk (continued)

	31 December 2024				31 December 2023			
	Less than one year AED	More than one year AED	No term AED	Total AED	Less than one year AED	More than one year AED	No term AED	Total AED
ASSETS								
Investments at fair value through profit or loss (FVTPL)	**154,527,065**	-	-	**154,527,065**	155,987,108	-	-	155,987,108
Investments at fair value through other comprehensive income (FVTOCI)	-	-	**126,972,140**	**126,972,140**	-	-	113,580,481	113,580,481
Reinsurance contract assets	**450,862,720**	-	-	**450,862,720**	212,801,173	-	-	212,801,173
Prepayments and other assets	**7,319,700**	-	-	**7,319,700**	4,539,292	-	-	4,539,292
Statutory deposits	-		**10,000,000**	**10,000,000**	-	-	10,000,000	10,000,000
Other receivables (excluding prepayments	**7,253,831**	-	-	**7,253,831** -	3,904,964	-	-	3,904,964
Bank balances and cash	**21,971,602**	-	-	**21,971,602**	76,228,358	-	-	76,228,358
TOTAL ASSETS	**641,934,918**	-	**136,972,140**	**778,907,058**	453,460,895	-	123,580,481	577,041,376

28 Risk management (continued)

28B Financial risk (continued)

Liquidity risk (continued)

	31 December 2024				31 December 2023			
	Less than one year AED	More than one year AED	No term AED	Total AED	Less than one year AED	More than one year AED	No term AED	Total AED
Employees' end of service Benefits	-	3,691,220	-	3,691,220	-	4,484,362	-	4,484,362
Other payables	37,123,988	-	-	37,123,988	16,745,449	-	-	16,745,449
Lease liability	-	5,640,413	-	5,640,413	-	7,187,505	-	7,187,505
Total liabilities	37,123,988	9,331,633	-	46,455,621	16,745,449	11,671,867	-	28,417,316

	Less than 1 year AED	2-5 years AED	5+ years AED	Total AED
31 December 2024				
Reinsurance contract assets (Net)	**323,673,900**	**123,383,688**	**-**	**447,057,588**
Insurance contract liabilities (Net)	**632,553,889**	**62,978,790**	**-**	**695,532,679**
31 December 2023				
Reinsurance contract assets (Net)	63,686,616	143,672,152	-	207,358,768
Insurance contract liabilities (Net)	416,548,248	48,950,279	-	465,498,527

29 Income tax

The major components of tax expense and the reconciliation of the expected tax expense based on the UAE tax rate of 9% (2023: Nil) and the reported tax expense in profit or loss is as follows:

	2024 AED	2023 AED
Statement of profit or loss		
Deferred tax:		
Income tax credit on taxable losses	7,412,817	-
Statement of other comprehensive income		
Deferred tax:		
Net change in fair value of equity securities designated at OCI	(2,058,901)	-

Following is the analysis of net deferred tax asset presented in the statement of financial position:

	2024 AED	2023 AED
Deferred tax asset	7,412,817	-
Deferred tax liability	(2,058,901)	-
Net deferred tax asset	5,353,916	-

Movement in net deferred tax asset:	2024 AED	2023 AED
Opening balance	-	-
Income tax credit on taxable losses	7,412,817	-
Net change in the fair value of equity securities designated at OCI	(2,058,901)	-
Closing balance	5,353,916	

Relationship between tax income tax credit and accounting profit:

	2024 AED	2023 AED
Loss before tax	(71,816,553)	-
Effect of items that are not considered in determining taxable loss-net		
Exempt income	(10,669,437)	-
Non-deductible expenses	121,355	-
Taxable loss	(82,364,635)	-
Income tax credit (applicable rate of 9%)	(7,412,817)	-

30 Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 28 March 2025.