

**Al Buhaira National Insurance Company P.S.C.
and its Subsidiary**

**Condensed consolidated interim financial
information (Unaudited)
For the nine months period ended 30 September 2022**

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

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Report on review of condensed consolidated interim financial information
To the Board of Directors of Al Buhaira National Insurance Company P.S.C. and its
Subsidiary**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Al Buhaira National Insurance Company P.S.C. (the "Company") and its subsidiary (the "Group") as at 30 September 2022 and the related condensed consolidated interim statement of income, condensed consolidated interim statement of comprehensive income for the three and nine month periods ended, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows for the nine months period then ended and explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information are not prepared, in all material respects, in accordance with IAS 34.



10 November 2022.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Condensed consolidated interim statement of financial position
As at 30 September 2022

	Notes	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	9,747,355	10,781,690
Investment properties	5	836,553,000	836,553,000
Investments in securities at FVTOCI	6	70,452,436	26,852,264
Statutory deposit	7	10,000,000	10,000,000
Total non-current assets		926,752,791	884,186,954
Current assets			
Reinsurance contract assets	8	575,101,821	356,440,652
Insurance and other receivables	9	624,492,281	386,129,181
Bank balances and cash	10	292,927,491	337,895,458
Total current assets		1,492,521,593	1,080,465,291
TOTAL ASSETS		2,419,274,384	1,964,652,245
EQUITY AND LIABILITIES			
Equity			
Share capital	11	250,000,000	250,000,000
Statutory reserve		122,126,377	122,126,377
Voluntary reserve		200,000,000	200,000,000
Reinsurance reserve		9,932,538	6,816,786
Cumulative changes in fair value		(10,184,229)	(15,352,299)
Retained earnings		104,544,336	117,316,644
Total Equity		676,419,022	680,907,508
Non-current liabilities			
Provision for employees' end of service benefit		41,803,958	39,787,312
Bank borrowings	12	20,833,334	124,203,923
Lease liabilities	16	2,376,901	3,641,342
Total non-current liabilities		65,014,193	167,632,577
Current liabilities			
Insurance contract liabilities	8	834,245,478	544,707,772
Insurance and other payables		614,200,471	437,354,055
Lease liabilities	16	1,623,004	1,596,270
Bank borrowings	12	227,772,216	132,454,063
Total current liabilities		1,677,841,169	1,116,112,160
Total liabilities		1,742,855,362	1,283,744,737
TOTAL EQUITY AND LIABILITIES		2,419,274,384	1,964,652,245

Chairman

Sheikh Faisal Bin Khaled Sultan Al Qasimi

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial information.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Condensed consolidated interim statement of income
For the nine months period ended 30 September 2022

		Three months period ended 30 September 2022 AED (unaudited)	Three months period ended 30 September 2021 AED (unaudited)	Nine months period ended 30 September 2022 AED (unaudited)	Nine months period ended 30 September 2021 AED (unaudited)
	Notes				
Insurance premium revenue	13	240,945,211	226,518,468	702,864,299	673,691,525
Less: Insurance premium ceded to reinsurers	13	(171,601,753)	(150,301,610)	(502,971,102)	(489,312,166)
Net insurance premium revenue		69,343,458	76,216,858	199,893,197	184,379,359
Gross claims incurred		(265,870,122)	(185,988,887)	(685,013,832)	(497,536,014)
Insurance claims recovered from reinsurers		181,769,796	117,259,484	478,071,650	334,397,358
Net claims incurred		(84,100,326)	(68,729,403)	(206,942,182)	(163,138,656)
Gross commission earned		31,171,559	27,608,300	89,571,002	79,438,082
Less: Commission incurred		(10,483,839)	(12,592,136)	(29,311,480)	(32,616,625)
Net commission earned		20,687,720	15,016,164	60,259,522	46,821,457
Underwriting profit		5,930,852	22,503,619	53,210,537	68,062,160
General and administrative expenses relating to underwriting activities		(16,138,225)	(15,940,643)	(40,814,284)	(40,721,432)
Net underwriting (loss)/ profit		(10,207,373)	6,562,976	12,396,253	27,340,728
Investment and other income		5,459,628	6,140,265	19,750,494	22,850,426
Finance costs		(2,713,610)	(2,267,499)	(7,713,147)	(7,700,568)
Finance costs – lease		(508,181)	(307,884)	(1,671,796)	(1,137,368)
Unallocated general and administrative expenses		(2,036,524)	(2,872,864)	(7,042,732)	(6,533,345)
(Loss)/ profit for the period		(10,006,060)	7,254,994	15,719,072	34,819,873
Basic (loss)/ earnings per share	14	(0.04)	0.03	0.06	0.14

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial information.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Condensed consolidated interim statement of comprehensive income
For the nine months period ended 30 September 2022

	Three months period ended 30 September 2022 AED (unaudited)	Three months period ended 30 September 2021 AED (unaudited)	Nine months period ended 30 September 2022 AED (unaudited)	Nine months period ended 30 September 2021 AED (unaudited)
(Loss)/ profit for the period	<u>(10,006,060)</u>	<u>7,254,994</u>	<u>15,719,072</u>	<u>34,819,873</u>
Other comprehensive (loss) / income				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Change in fair value of investments carried at FVTOCI	1,481,823	2,371,115	4,416,814	4,016,986
Gain on sale of investments carried at FVTOCI	<u>375,628</u>	<u>1,480</u>	<u>375,628</u>	<u>1,480</u>
Other comprehensive income for the period	<u>1,857,451</u>	<u>2,372,595</u>	<u>4,792,442</u>	<u>4,018,466</u>
Total comprehensive (loss)/ income for the period	<u>(8,148,609)</u>	<u>9,627,589</u>	<u>20,511,514</u>	<u>38,838,339</u>

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial information.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Condensed consolidated interim statement of changes in equity
For the nine months period ended 30 September 2022

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of financial assets at FVTOCI AED	Retained earnings AED	Total AED
Balance as at 31 December 2020 (Audited)	250,000,000	119,622,924	200,000,000	3,619,051	(21,499,614)	122,984,784	674,727,145
Profit for the period	-	-	-	-	-	34,819,873	34,819,873
Other comprehensive income for the period	-	-	-	-	4,018,466	-	4,018,466
Total comprehensive income for the period	-	-	-	-	4,018,466	34,819,873	38,838,339
Transfer to reinsurance reserve	-	-	-	2,951,638	-	(2,951,638)	-
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	1,480	(1,480)	-
Dividends (note 22)	-	-	-	-	-	(25,000,000)	(25,000,000)
Balance as at 30 September 2021 (Unaudited)	250,000,000	119,622,924	200,000,000	6,570,689	(17,479,668)	129,851,539	688,565,484
Balance as at 31 December 2021 (Audited)	250,000,000	122,126,377	200,000,000	6,816,786	(15,352,299)	117,316,644	680,907,508
Profit for the period	-	-	-	-	-	15,719,072	15,719,072
Other comprehensive income for the period	-	-	-	-	4,792,442	-	4,792,442
Total comprehensive income for the period	-	-	-	-	4,792,442	15,719,072	20,511,514
Transfer to reinsurance reserve	-	-	-	3,115,752	-	(3,115,752)	-
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	375,628	(375,628)	-
Dividends (note 22)	-	-	-	-	-	(25,000,000)	(25,000,000)
Balance as at 30 September 2022 (Unaudited)	250,000,000	122,126,377	200,000,000	9,932,538	(10,184,229)	104,544,336	676,419,022

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial information.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Condensed consolidated interim statement of cash flows
For the nine months period ended 30 September 2022

	Notes	Nine months period ended 30 September 2022 AED (Unaudited)	Nine months period ended 30 September 2021 AED (Unaudited)
Cash flows from operating activities			
Profit for the period		15,719,072	34,819,873
Adjustments for:			
Depreciation of property and equipment	4	1,943,126	2,518,799
Interest income on deposits		(5,058,446)	(6,351,475)
Dividend income	19	(1,165,381)	(776,711)
Net rental income from investment properties		(13,398,579)	(15,660,792)
Gain on disposal of property and equipment	4	(105,000)	(2,500)
Provision for employees' end of service indemnity		2,821,488	1,855,349
Finance costs including leases		9,384,943	8,837,936
Other income		(23,088)	(58,948)
Board of Directors' remuneration	22	1,050,000	-
Operating cash flows before changes in working capital		11,168,135	25,181,531
Change in working capital			
Reinsurance contract assets		(218,661,169)	(84,311,008)
Insurance and other receivables		(238,363,100)	(194,965,801)
Insurance contract liabilities		289,537,706	153,123,279
Insurance and other payables		176,846,416	134,951,640
Cash generated from operating activities		20,527,988	33,979,641
Employees' end of service benefits paid		(804,842)	(421,663)
Board of Directors' remuneration	22	(1,050,000)	-
Net cash generated from operating activities		18,673,146	33,557,978
Cash flows from investing activities			
Movement in fixed deposit under lien and with maturity of more than three months		69,122,505	(16,740,245)
Movement in margin deposits		216,000	126,000
Purchase of investments in securities at FVTOCI		(42,122,218)	-
Purchase of property and equipment	4	(908,791)	(352,405)
Proceeds from sale of investments at FVTOCI		3,314,488	5,254
Proceeds from sale of property and equipment	4	105,000	23,700
Interest received		5,058,446	6,351,475
Dividends received		1,165,381	776,711
Net rental income from investment properties		13,398,579	15,660,792
Other income		23,088	58,948
Net cash generated from investing activities		49,372,478	5,910,230
Cash flows from financing activities			
Dividends paid	22	(25,000,000)	(25,000,000)
Bank borrowings – net		(8,052,436)	(30,241,826)
Finance costs paid on borrowings		(7,713,147)	(7,700,568)
Lease payments including finance cost		(2,909,503)	(3,362,705)
Net cash used in financing activities		(43,675,086)	(66,305,099)
Net change in cash and cash equivalents		24,370,538	(26,836,891)
Cash and cash equivalents at the beginning of the period		39,052,732	46,216,022
Cash and cash equivalents at the end of the period	15	63,423,270	19,379,131

The accompanying notes from 1 to 24 form an integral part of these condensed consolidated interim financial information.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary

Condensed consolidated interim financial information (Unaudited)

Notes to the condensed consolidated interim financial information

For the nine months period ended 30 September 2022

1. General information

Al Buhaira National Insurance Company P.S.C (the “Company”) is incorporated as a public shareholding company by an Emiri Decree issued by His Highness, The Ruler of Sharjah on 16 May 1978. The company is subject to the regulations of UAE Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of U.A.E. and is registered in the Insurance Companies register of the Central Bank of the U.A.E (“CBUAE”) (formerly Insurance Authority of U.A.E) under registration Number 15. The “Group” is comprised of the Company and its subsidiary (Note 3). The address of the Company’s registered corporate office is P.O Box 6000, Sharjah, United Arab Emirates.

The principal activity of the Company is the writing of insurance of all types – other than savings and accumulation of funds. The Company operates through its head office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

Federal Law Decree No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 with an effective date of 2 January 2022, and will entirely replace Federal Law No. 2 of 2015, as amended, on Commercial Companies, as amended. The Parent Company has twelve months from the effective date to comply with the provisions of the New Companies Law.

Decretal Federal Law No. 25 of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Authority has now merged into the Central Bank of the UAE, which commenced its operational procedures to assume the supervisory and regulatory responsibility of the insurance sector.

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

There are no new and revised IFRS that has a material impact for the Group during the period.

New and revised IFRS not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

Management anticipates that IFRS 17 will be adopted in the Group’s consolidated financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Group’s consolidated financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Group performs a detailed review. Management is in the process of performing a detailed assessment as required by the CBUAE on implementation of IFRS 17.

There are no other standards and amendments that are not yet effective and have not been adopted early by the Group.

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Notes to the condensed consolidated interim financial information (continued)
For the nine months period ended 30 September 2022

3. Summary of significant accounting policies

Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard (IAS) No. 34, "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

The condensed consolidated interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Group's transactions are denominated.

This condensed consolidated interim financial information has been prepared on the historical cost basis, except for the revaluation of financial instruments and investment properties.

The accounting policies, presentation and methods in this condensed consolidated interim financial information are consistent with those used in the audited consolidated financial statements for the year ended 31 December 2021.

This condensed consolidated interim financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's consolidated audited annual financial statements as at and for the year ended 31 December 2021. In addition, results for the nine months period ended 30 September 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect 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 this condensed interim financial information, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2021.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and accumulated impairment losses. Subsequent expenditure is capitalised only when it is probable that future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are charged to the consolidated income statement during the financial period they are incurred.

The asset's residual values, useful lives and method of depreciation applied are reviewed and adjusted, if appropriate, at each financial year end and adjusted prospectively, if appropriate. Impairment reviews are performed when there are indicators that the carrying value may not be recoverable. Impairment losses are recognized in the consolidated statement of income as an expense.

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

Land is stated at its cost and is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	<u>Years</u>
Residential villa	15
Office fixture and fittings	10
Computer equipment	5
Furniture and equipment	5
Right-of-use assets	Lease term

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Notes to the condensed consolidated interim financial information (continued)
For the nine months period ended 30 September 2022

3. Summary of significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. 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 value of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either 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 profit or loss in the period of retirement or disposal.

Transfer is made to or from investment property only when there is a change in use evidenced by the end of owner-occupation, commencement of an operating lease to another party. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

Fair value is determined by open market values based on valuations performed by independent valuator.

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

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

Investments in equity and debts instruments 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 recognized in other comprehensive income and accumulated in the cumulative changes in fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not transferred to income statement, but is reclassified to retained earnings.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI.

Dividend income

Dividend income on investment s in equity instruments is recognized in profit or loss when the Group's right to receive the dividend is established.

Impairment of financial assets

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

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

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

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

Al Buhaira National Insurance Company P.S.C. and its Subsidiary
Condensed consolidated interim financial information (Unaudited)

Notes to the condensed consolidated interim financial information (continued)
For the nine months period ended 30 September 2022

3. Summary of significant accounting policies (continued)

Basis of consolidation

The condensed consolidated interim financial information of Al Buhaira National Insurance Company P.S.C. and its subsidiary (the "Group") incorporate the financial information of the Company and the entity controlled by the Company (its subsidiary).

Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the condensed consolidated interim income statement and condensed consolidated interim statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial information of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Details of the Company's subsidiary at 30 September 2022 and 31 December 2021 are as below:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held	Principal activity
Al Buhaira Economic Investment Establishment	Sharjah, UAE	100%	Investing in economic projects

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Condensed consolidated interim financial information (Unaudited)

Notes to the condensed consolidated interim financial information (continued)
For the nine months period ended 30 September 2022

4. Property and equipment

- Property and equipment additions during the current period amounted to AED 908,791 (nine months period ended 30 September 2021: AED 352,405).
- Depreciation charges for the current period amounted to AED 1,943,126 (nine months period ended 30 September 2021: AED 2,518,799).
- Gain from disposal for the current period amounted to AED 105,000 (nine months period ended 30 September 2021: AED 2,500)
- All the property and equipment are located in U.A.E.

5. Investment properties

Investment properties with a fair value of AED 836.5 million (31 December 2021: AED 836.5 million) were mortgaged to a bank (note 12) towards credit facilities granted to the Group.

The fair value of the Group's investment properties as at 31 December 2021 were arrived at on the basis of valuations carried by independent valuers who were not related to the Group and have appropriate qualification and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value of land was determined based on acceptable approach that reflects recent transaction prices for similar properties. The fair value of buildings was determined based on using investment method. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Management estimates that there has been no change in the fair value of the investment properties during the nine months period ended 30 September 2022.

The rental proceeds from Al Khan, Al Nahda Tower, and Al Buhairah Corniche Tower are assigned to a bank against credit facilities granted to the Group.

Investment properties are classified as Level 3 in fair value hierarchy as at 30 September 2022 (31 December 2021: Level 3).

6. Investment in securities at FVTOCI

Financial assets carried at fair value through OCI

The Group's financial investments at the end of reporting period are as follows:

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Quoted – at fair value	66,974,338	23,374,166
Unquoted – at fair value	3,478,098	3,478,098
	<u>70,452,436</u>	<u>26,852,264</u>
In U.A.E	70,452,436	26,852,264
In other GCC countries	-	-
	<u>70,452,436</u>	<u>26,852,264</u>

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Condensed consolidated interim financial information (Unaudited)

Notes to the condensed consolidated interim financial information (continued)
For the nine months period ended 30 September 2022

7. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E and Organization of its operations, the Group maintains a bank deposit of AED 10,000,000 (31 December 2021: AED 10,000,000) as a statutory deposit. The statutory deposit yields interest rate per annum of 2.80% (31 December 2021: 3.00 %).

8. Insurance contract liabilities and reinsurance contract assets

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Insurance contract liabilities – gross		
Claims reported unsettled	388,014,957	271,705,507
Claims incurred but not reported	83,440,675	71,056,021
Unallocated loss adjustment expense reserve	8,200,412	6,353,052
Unearned premiums	345,142,813	183,641,387
Unexpired risk reserve	9,446,621	11,951,805
	<u>834,245,478</u>	<u>544,707,772</u>
Recoverable from reinsurers		
Claims reported unsettled	286,032,384	195,162,889
Claims incurred but not reported	53,119,802	45,507,382
Unearned premiums	235,949,635	115,770,381
	<u>575,101,821</u>	<u>356,440,652</u>
Insurance contract liabilities – net		
Claims reported unsettled	101,982,573	76,542,618
Claims incurred but not reported	30,320,873	25,548,639
Unallocated loss adjustment expense reserve	8,200,412	6,353,052
Unearned premiums	109,193,178	67,871,006
Unexpired risk reserve	9,446,621	11,951,805
	<u>259,143,657</u>	<u>188,267,120</u>

9. Insurance and other receivables

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Receivables arising from insurance and reinsurance contracts		
Due from policy holders	506,496,613	286,457,977
Due from reinsurance companies	51,530,047	44,330,895
Due from insurance companies	89,181,129	86,462,126
Expected credit losses	(59,107,518)	(59,107,518)
	<u>588,100,271</u>	<u>358,143,480</u>
Other receivables		
Staff receivables	4,890,721	3,734,197
Rent receivable	14,831,801	13,336,542
Prepayments and others	16,669,488	10,914,962
	<u>624,492,281</u>	<u>386,129,181</u>

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9. Insurance and other receivables (continued)

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Movement in provision for expected credit losses:		
Balance at the beginning of the period/year	59,107,518	56,607,518
Charged during the period/year	-	2,500,000
	<u>59,107,518</u>	<u>59,107,518</u>

10. Bank balances and cash

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Cash on hand	225,216	120,474
Bank balances:		
Current accounts	53,588,634	29,447,896
Call accounts	9,609,420	9,484,362
Margin deposits	965,000	1,181,000
Fixed deposits	228,539,221	297,661,726
	<u>292,927,491</u>	<u>337,895,458</u>

Fixed deposits amounting to AED 160.1 million (31 December 2021: AED 105.9 million) (note 12) are under lien in respect of bank credit facilities granted to the Group. All fixed deposits are held in local banks in the United Arab Emirates.

11. Share capital

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Authorized, issued and fully paid:		
250 million ordinary shares of AED 1 each (31 December 2021: 250 million ordinary shares of AED 1 each)	<u>250,000,000</u>	<u>250,000,000</u>

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12. Bank borrowings

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Bank overdraft	103,466,332	60,565,828
Term loans	145,139,218	196,092,158
	<u>248,605,550</u>	<u>256,657,986</u>
Bank borrowings are payable as follows:		
On demand or within one year	227,772,216	132,454,063
In the second year	20,833,334	105,870,588
In the third and subsequent years	-	18,333,335
	<u>248,605,550</u>	<u>256,657,986</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(227,772,216)</u>	<u>(132,454,063)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>20,833,334</u>	<u>124,203,923</u>

Main features of bank borrowings:

- Bank loans are obtained to finance the construction of investment properties.
- Bank overdraft is payable on demand.

At 30 September 2022, bank borrowings were secured by lien on fixed deposits amounting to AED 160.1 million (31 December 2021: AED 105.9 million) (note 10) and mortgage of investment properties with fair value of AED 836.5 million (31 December 2021: AED 836.5 million) (note 5) and assignment of rental proceeds from certain investments properties against bank credit facilities granted to the Group.

13. Net insurance premium revenue

	Three months period ended 30 September 2022 AED (unaudited)	Three months period ended 30 September 2021 AED (unaudited)	Nine months period ended 30 September 2022 AED (unaudited)	Nine months period ended 30 September 2021 AED (unaudited)
Insurance premium revenue				
Gross premium written	129,811,255	129,528,379	864,365,725	822,936,047
Change in unearned premium	111,133,956	96,990,089	(161,501,426)	(149,244,522)
	<u>240,945,211</u>	<u>226,518,468</u>	<u>702,864,299</u>	<u>673,691,525</u>
Reinsurance premium ceded				
Reinsurance premium ceded	(83,476,932)	(54,848,518)	(623,150,356)	(590,327,469)
Change in unearned premium	(88,124,821)	(95,453,092)	120,179,254	101,015,303
	<u>(171,601,753)</u>	<u>(150,301,610)</u>	<u>(502,971,102)</u>	<u>(489,312,166)</u>
Net insurance premium revenue	<u>69,343,458</u>	<u>76,216,858</u>	<u>199,893,197</u>	<u>184,379,359</u>

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14. Basic (loss)/ earnings per share

	Three months period ended 30 September 2022 AED (Unaudited)	Three months period ended 30 September 2021 AED (Unaudited)	Nine months period ended 30 September 2022 AED (Unaudited)	Nine months period ended 30 September 2021 AED (Unaudited)
(Loss)/ profit for the period (in AED)	<u>(10,006,060)</u>	<u>7,254,994</u>	<u>15,719,072</u>	<u>34,819,873</u>
Weighted average number of shares	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
Basic (loss)/ earnings per share (in AED)	<u>(0.04)</u>	<u>0.03</u>	<u>0.06</u>	<u>0.14</u>

15. Cash and cash equivalents for statements of cash flows

	30 September 2022 AED (Unaudited)	30 September 2021 AED (Unaudited)
Bank balances and cash	292,927,491	306,929,016
Less: Deposits under lien	(160,064,248)	(95,171,117)
Fixed deposits on maturity of more than three months	(68,474,973)	(191,041,768)
Margin deposits	(965,000)	(1,337,000)
	<u>63,423,270</u>	<u>19,379,131</u>

16. Lease liabilities

Lease liabilities are presented in the statement of financial position as follows:

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Current	1,623,004	1,596,270
Non-current	2,376,901	3,641,342
	<u>3,999,905</u>	<u>5,237,612</u>

The Group has leases for the offices all in UAE. Each lease is reflected on the statement of financial position as a right-of-use assets and lease liabilities. The Group classifies its right-of-use assets in a consistent manner to its property and equipment.

Right-of-use assets	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
Offices	20	1 to 2 years	2 years	20	20

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16. Lease liabilities (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 September 2022 were as follows and 31 December 2021:

	Minimum lease payments due		
	Within 1 year	1-2 year	Total
	AED	AED	AED
30 September 2022			
Lease payments	3,210,161	3,114,815	6,324,976
Finance charges	(1,587,157)	(737,914)	(2,325,071)
Net present value	1,623,004	2,376,901	3,999,905
31 December 2021			
Lease payments	3,733,455	5,501,023	9,234,478
Finance charges	(2,137,185)	(1,859,681)	(3,996,866)
Net present value	1,596,270	3,641,342	5,237,612

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17. Segment information

For management purposes, the Group is organized into three business segments: life assurance, general insurance and investments.

The general insurance segment incorporates all classes of general insurance including fire, marine, medical, motor, general and others. The life insurance segment includes group life insurance.

Investments segment comprises investment in equity securities and investment properties.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating Decision maker.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the annual audited consolidated financial statements of the Group.

	As at 30 September 2022				As at 31 December 2021			
	General insurance AED (Unaudited)	Life insurance AED (Unaudited)	Investments AED (Unaudited)	Total AED (Unaudited)	General insurance AED (Audited)	Life insurance AED (Audited)	Investments AED (Audited)	Total AED (Audited)
Segment assets	1,131,405,135	31,796,957	1,150,376,458	2,313,578,550	685,778,996	28,805,137	1,174,403,532	1,888,987,665
Other assets	-	-	-	105,695,834	-	-	-	75,664,580
Total	1,131,405,135	31,796,957	1,150,376,458	2,419,274,384	685,778,996	28,805,137	1,174,403,532	1,964,652,245
Segment liabilities	1,392,477,357	19,656,556	147,843,610	1,559,977,523	927,299,376	19,596,668	190,276,935	1,137,172,979
Other liabilities	-	-	-	182,877,839	-	-	-	146,571,758
Total	1,392,477,357	19,656,556	147,843,610	1,742,855,362	927,299,376	19,596,668	190,276,935	1,283,744,737

There are no transactions between the business segments.

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17. Segment information (continued)

For the nine months period ended 30 September 2022 (Unaudited)

	Marine AED	Fire AED	Accident & liabilities AED	General & others AED	Group life AED	Total insurance AED	Investments AED	Total AED
Segment revenue – gross	35,528,036	33,026,237	193,554,197	433,098,260	7,657,569	702,864,299	-	702,864,299
Segment result – net	5,960,549	(2,132,991)	(2,715,076)	8,392,383	2,891,388	12,396,253	19,750,494	32,146,747
Other costs								(16,427,675)
Profit for the period								15,719,072

For the nine months period ended 30 September 2021 (Unaudited)

	Marine AED	Fire AED	Accident & liabilities AED	General & others AED	Group life AED	Total insurance AED	Investments AED	Total AED
Segment revenue – gross	31,652,704	39,706,909	206,098,976	386,338,792	9,894,144	673,691,525	-	673,691,525
Segment result – net	4,233,772	1,535,711	10,391,592	9,653,485	1,526,168	27,340,728	22,850,426	50,191,154
Other costs								(15,371,281)
Profit for the period								34,819,873

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18. Related party balances and transactions

Related parties include the Group's major shareholders, directors and businesses controlled by them and their families over which they exercise significant influence as well as key management personnel.

18.1 Due from/to related parties

At the end of reporting period, amounts due from/to related parties included under due from policy holders and gross outstanding claims were as follows:

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Due from policy holders	4,995,031	38,999,024
Gross outstanding claims	<u>672,015</u>	<u>446,069</u>

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received and no expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

18.2 Transactions

During the period, the Group entered into the following transactions with related parties:

	Three months period ended 30 September 2022 AED (unaudited)	Three months period ended 30 September 2021 AED (unaudited)	Nine months period ended 30 September 2022 AED (unaudited)	Nine months period ended 30 September 2021 AED (unaudited)
Gross premium written	821,842	825,025	3,410,456	3,748,673
Claims paid	<u>655,468</u>	<u>229,332</u>	<u>1,700,316</u>	<u>570,472</u>

Premiums are charged to related parties at rates agreed with the management.

Compensations of key management staff and Board of Directors

	Three months period ended 30 September 2022 AED (unaudited)	Three months period ended 30 September 2021 AED (unaudited)	Nine months period ended 30 September 2022 AED (unaudited)	Nine months period ended 30 September 2021 AED (unaudited)
Key management staff:				
Short term benefits	1,127,196	206,850	3,381,588	2,143,242
Long term benefits	126,472	105,802	233,315	195,155
Board of directors' remuneration	<u>-</u>	<u>-</u>	<u>1,050,000</u>	<u>-</u>

19. Seasonality of results

Investment income includes dividend income of AED 1,165,381 for the nine months period ended 30 September 2022 (nine months period ended 30 September 2021: AED 776,711), which is of a seasonal nature.

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20. Commitments and contingent liabilities

	30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)
Letters of guarantee	<u>15,201,641</u>	<u>6,240,296</u>

Legal claims

The Group, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Group, based on independent legal advice, doesn't believe that the outcome of these court cases will have a material impact on the Group's income or financial condition.

21. Fair value measurement

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 Group 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 financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed consolidated interim financial information approximate their fair values.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial and non-financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual consolidated financial statements for the year ended 31 December 2021.

Fair value of the Group's financial assets that are measured at fair value on recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at 30 September 2022 AED (Unaudited)	31 December 2021 AED (Audited)	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity securities – FVTOCI	66,974,338	23,374,166	Level 1	Quoted bid prices in an active market.	None.	NA.
Unquoted equity securities – FVTOCI	3,478,098	3,478,098	Level 3	Net assets valuation method	Net assets value.	Higher the net assets value of the investees, higher the fair value.
	<u>70,452,436</u>	<u>26,852,264</u>				

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21. Fair value measurement (continued)

Fair value measurements recognised in the condensed consolidated interim statement of financial position

The following table provides an analysis of financial assets and non-financial assets 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 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 September 2022 (Unaudited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	66,974,338	-	-	66,974,338
Unquoted equities	-	-	3,478,098	3,478,098
Investment properties	-	-	836,553,000	836,553,000
	66,974,338	-	840,031,098	907,005,436

31 December 2021 (Audited)

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	23,374,166	-	-	23,374,166
Unquoted equities	-	-	3,478,098	3,478,098
Investment properties	-	-	836,553,000	836,553,000
	23,374,166	-	840,031,098	863,405,264

There was no transfer between the levels during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

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21. Fair value measurement (continued)

Movement of level 3 instruments is as below:

30 September 2022 (Unaudited)

Level 3	Opening balance AED	Additions/ (Disposals) AED	Change in fair value AED	Ending balance AED
Investment properties	836,553,000	-	-	836,553,000
<i>Financial assets at FVTOCI</i>				
Unquoted equities	3,478,098	-	-	3,478,098
31 December 2021 (Audited)				
Investment properties	857,393,500	2,165,000	(23,005,500)	836,553,000
<i>Financial assets at FVTOCI</i>				
Unquoted Equity securities	3,478,098	-	-	3,478,098

22. Dividends

At the annual general meeting held on 21 April 2022, the Shareholders declared a dividend of AED 10 Fils per share amounting to AED 25 million for the year 2021 and was fully paid during the period (30 September 2021: 25 million). The Shareholders also approved Board of Directors' remuneration for the year 2021 of AED 1,050,000 (30 September 2021: Nil).

23. Significant event during the period

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% federal corporate tax rate effective for fiscal years commencing on or after September 1, 2023. There is no impact of this announcement on the condensed consolidated interim financial information of the Group for the nine months period ended 30 September 2022. Management will commence the process of assessing the implications of this federal corporate tax on the Group.

24. Approval of condensed consolidated interim financial information

The condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on 10 November 2022.