

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

**Consolidated financial statements
For the year ended 31 December 2024**

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

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Directors' report

The Board of Directors has pleasure in submitting their report and the audited consolidated financial statements for the year ended 31 December 2024.

Incorporation and registered offices

Al Buhaira National Insurance Company P.S.C. (the "Parent 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 Parent Company is subject to the regulations of UAE Federal Law No. (48) of 2023 (previously UAE Federal Law No. 6 of 2007, as amended), concerning the formation of Insurance Companies register of the Central Bank of the U.A.E. ("CBUAE"). The Parent Company is registered in the Insurance Companies register of the Central Bank of the U.A.E. under registration number 15. The address of the Parent Company's registered corporate office is P.O. Box 6000, Sharjah, United Arab Emirates.

The Group consists of Al Buhaira National Company P.S.C. and its subsidiary (the "Group") as disclosed in Note 3.3 to the consolidated financial statements.

Principal activities

The principal activity of the Group is the writing of insurance of health, accidents and civil responsibility, saving and money formation, life, fire, land, marine, air transportation, danger, insurance against accidents at work, motor, aviation, other insurance, management of health insurance claims, accidents causalities support services, insurance against theft and reinsurance. The Group operates through its Head Office in Sharjah and has branches in Dubai, Abu Dhabi, Al Ain, Khorfakkan, Fujairah and Ajman.

Financial position and results

The consolidated financial position and results of the Group for the year ended 31 December 2024 are set out in the accompanying consolidated financial statements.


Directors

The following were the Directors of the Group for the year ended 31 December 2024:

Sheikh Faisal Bin Khalid Sultan Al Qasimi (Chairman)
Sheikh Abdulla Mohd Ali Al Thani (Vice Chairman)
Sheikh Khaled Abdulla Sultan Al Qasimi (Managing Director)
Sheikh Ahmed Abdulla Bin Mohammed Ali Al Thani (Director)
Sheikh Saoud Nasser Rashid Abdulaziz Al Moalla (Director)
Mr. Rashid Ali Rashid Dimas Al Suwaidi (Director)
Mr. Salem Abdulla Salem Al Hosani (Director)
Mr. Abdulla Mohamed Salih Abdul Rahim Al Zarooni (Director)
Ms. Noura Mahmoud Mohamed Al Mahmoud Al-Ali (Director)
Mr. Nader Tawfiq Qaddumi (General Manager)

Auditors

Grant Thornton UAE has been appointed as the auditor for the Group for the year ending December 31, 2024. This marks their sixth consecutive year in this role. However, in compliance with the Financial Reporting and External Audit Regulation for Insurance Companies issued by the Central Bank of the UAE, a mandatory rotation is required after six years. As a result, Grant Thornton has not offered themselves for reappointment.


Sheikh Faisal Bin Khaled Bin Sultan Al Qasimi
Chairman of the Board of Directors



INDEPENDENT AUDITOR'S REPORT**To the Shareholders of Al Buhaira National Insurance Company P.S.C. and its subsidiary****Report on the Audit of the Consolidated Financial Statements****Opinion**

We have audited the consolidated financial statements of Al Buhaira National Insurance Company P.S.C. (the "Parent Company") and its subsidiary (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements including summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Group as at 31 December 2024 and their consolidated financial performance and their consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountant's 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 consolidated financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities 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 to the consolidated financial statements, the Group has a deficit in the Solvency Margin Requirements and Minimum Guarantee Fund Requirements as stipulated by the Central Bank of the U.A.E. by the amounts of AED 186 million and AED 30 million respectively. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Buhaira National Insurance Company P.S.C and its subsidiary (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of (Re)Insurance Contract Assets and Liabilities	
<p>As at 31 December 2024, the Group's Reinsurance Contract Assets, Insurance Contract Liabilities and Reinsurance contract liabilities are valued at AED 522.2 million, AED 730.9 million and AED 322.9 million respectively. (Refer Note 9).</p> <p>Valuation of (Re)Insurance contract assets and liabilities involve significant judgements and estimates particularly with respect to the eligibility of measurement models and estimation of the present value of future cash flows.</p> <p>These cash flows 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.</p> <p>The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of discount rates, methodology, assumptions and data used to determine the estimated present value of future cash flows.</p> <p>As a result of the above factors, we consider valuation of (re)insurance contract assets and liabilities as a key audit matter.</p>	<p>We performed the following procedures in conjunction with our actuarial specialists:</p> <ul style="list-style-type: none"> - Understood and evaluated the process, the design and implementation of controls in place to determine valuation of (Re)Insurance contract assets and liabilities; - Assessed the competence, capabilities and objectivity of the management's 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; - Independently reperformed the calculation to assess the mathematical accuracy of the Insurance contract liabilities and Reinsurance Contract Assets on selected classes of business, particularly focusing on largest and most uncertain reserves; and - Evaluated and tested the calculation of the allowance for expected credit loss allowance and the key assumptions and judgments used.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Al Buhaira National Insurance Company P.S.C and its subsidiary (continued)
Report on the Audit of the Consolidated Financial Statements (continued)
Key Audit Matters (continued)

Valuation of investment properties	
<p>As at 31 December 2024, the Group owns a portfolio of investment properties amounting to AED 849 million, comprising commercial properties, residential properties and land. The Group has recorded a net fair value loss of AED 3 million during the year ended 31 December 2024 (Notes 6).</p> <p>These investment properties are stated at their fair values as determined by independent real estate valuers engaged by the Group ("the valuers"). The valuation process involves significant judgements in determining and estimating the underlying assumptions to be applied.</p> <p>The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation.</p>	<p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none"> - We obtained the valuation assessment reports prepared by the external valuers; - We evaluated the external valuers qualifications, experience and expertise in the investment; properties being valued and considered their objectivity, independence and scope of work; - We assessed whether the valuation methods used are in accordance with the established standards for valuation of the properties and determining the fair value; - We involved our independent valuation specialists to review the valuation methodologies, key assumptions and critical judgements used by comparing these with market data, or other publicly available information, on selected properties; and - On sample basis, we tested, whether property specific data provided to the external valuers by management reflected the underlying property records.

INDEPENDENT AUDITOR'S REPORT**To the Shareholders of Al Buhaira National Insurance Company P.S.C and its subsidiary (continued)****Report on the Audit of the Consolidated Financial Statements (continued)****Other Information**

Management is responsible for the other information. The other information comprises the information included in the *Directors' Report* but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated 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 consolidated 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.

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

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. (32) of 2021 and UAE Federal Law No. (48) of 2023, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

INDEPENDENT AUDITOR'S REPORT**To the Shareholders of Al Buhaira National Insurance Company P.S.C and its subsidiary (continued)****Report on the Audit of the Consolidated Financial Statements (continued)****Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)**

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

We communicate to 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 to 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 to those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude 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.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Al Buhaira National Insurance Company P.S.C and its subsidiary (continued)

Report on other Legal and Regulatory Requirements

Furthermore, as required by the UAE Federal Decree Law No. (32) of 2021, we report that:

- i) We have obtained all the information we considered necessary for the purposes of our audit;
- ii) The consolidated 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 Group has maintained proper books of account in accordance with established accounting principles;
- iv) The financial information included in the Directors' report is consistent with the books of account of the Group;
- v) Note 7 to the consolidated financial statements discloses investment in securities by the Group during the year ended 31 December 2024;
- vi) Note 25 to the consolidated financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- vii) The Group has not made any social contributions during the financial year ended 31 December 2024; and
- viii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has, during the financial year ended 31 December 2024, contravened any of the applicable provisions of the UAE Federal Decree Law No. (32) of 2021, or in respect to the Company, its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2024.

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

GRANT THORNTON UAE

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



25 March 2025

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

Consolidated statement of financial position As at 31 December 2024

	Notes	2024 AED	2023 AED
ASSETS			
Property and equipment	5	11,181,248	13,872,192
Investment properties	6	849,055,989	847,850,000
Investments in securities at FVTOCI	7	56,414,041	59,567,189
Statutory deposit	8	10,000,000	10,000,000
Reinsurance contract assets	9	522,194,793	422,203,950
Insurance contract assets	9	-	12,462,413
Other receivables	10	42,632,402	38,208,725
Bank balances and cash	11	424,285,139	315,730,998
TOTAL ASSETS		1,915,763,612	1,719,895,467
EQUITY AND LIABILITIES			
Equity			
Share capital	12	250,000,000	250,000,000
Statutory reserve	13.1	122,126,377	122,126,377
Voluntary reserve	13.2	100,000,000	200,000,000
Reinsurance reserve	13.3	18,901,014	14,293,181
Cumulative changes in fair value		(18,842,169)	(15,689,021)
Accumulated losses		(15,713,982)	(74,178,917)
Total equity		456,471,240	496,551,620
Liabilities			
Provision for employees' end of service indemnity	14	46,784,750	43,118,479
Bank borrowings	15	300,075,193	278,982,938
Lease liabilities	16	3,231,693	6,880,398
Insurance contract liabilities	9	730,991,127	537,684,319
Reinsurance contract liabilities	9	322,921,593	308,782,606
Other payables	17	55,288,016	47,895,107
Total liabilities		1,459,292,372	1,223,343,847
TOTAL EQUITY AND LIABILITIES		1,915,763,612	1,719,895,467

Sheikh Faisal Bin Khaled Bin Sultan Al Qasimi
Chairman

Nader Tawfiq Qaddumi
Chief Executive Officer



The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of profit or loss For the year ended 31 December 2024

	Notes	2024 AED	2023 AED
Insurance revenue	19	1,448,902,391	1,190,641,861
Insurance service expenses	20	(1,469,728,830)	(1,196,342,629)
Insurance service result before reinsurance contracts held		(20,826,439)	(5,700,768)
Allocation of reinsurance premiums	21	(920,601,503)	(841,062,128)
Amounts recoverable from reinsurance for incurred claims	21	899,203,030	707,183,751
Net (expense) from reinsurance contracts held		(21,398,473)	(133,878,377)
Insurance service result		(42,224,912)	(139,579,145)
Investment and other income	18	45,912,891	42,760,945
Insurance finance expense for insurance contracts issued	22	(20,136,315)	(22,743,465)
Reinsurance finance income for reinsurance contracts held	22	10,532,939	12,845,665
Net insurance financial result		(9,603,376)	(9,897,800)
Net insurance and investment results		(5,915,397)	(106,716,000)
General and administrative expenses	23	(5,870,346)	(6,792,322)
Finance costs		(24,935,077)	(18,881,763)
Finance costs – lease	16	(206,412)	(372,384)
Loss for the year before tax		(36,927,232)	(132,762,469)
Income tax		-	-
Loss for the year after tax		(36,927,232)	(132,762,469)
Basic and diluted loss after tax per share	24	(0.15)	(0.53)

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of other comprehensive income For the year ended 31 December 2024

	2024 AED	2023 AED
Loss for the year after tax	<u>(36,927,232)</u>	<u>(132,762,469)</u>
Other comprehensive income		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Change in fair value of investments carried at FVTOCI	(3,153,148)	974,432
Gain on sale of investments carried at FVTOCI	-	276,398
Other comprehensive (loss) / income for the year	<u>(3,153,148)</u>	<u>1,250,830</u>
Total Comprehensive Loss for the Year	<u>(40,080,380)</u>	<u>(131,511,639)</u>

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

Consolidated statement of changes in equity For the year ended 31 December 2024

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value AED	(Accumulated losses)/ retained earnings AED	Total AED
Balance at 31 December 2022	250,000,000	122,126,377	200,000,000	10,216,524	(16,663,453)	62,383,811	628,063,259
Loss for the year	-	-	-	-	-	(132,762,469)	(132,762,469)
Other comprehensive income for the year	-	-	-	-	1,250,830	-	1,250,830
Total comprehensive loss for the year	-	-	-	-	1,250,830	(132,762,469)	(131,511,639)
Transfer to reinsurance reserve	-	-	-	4,076,657	-	(4,076,657)	-
Transfer to retained earnings on sale of investments at FVTOCI	-	-	-	-	(276,398)	276,398	-
Balance at 31 December 2023	250,000,000	122,126,377	200,000,000	14,293,181	(15,689,021)	(74,178,917)	496,551,620
Loss for the year after tax	-	-	-	-	-	(36,927,232)	(36,927,232)
Other comprehensive loss for the year	-	-	-	-	(3,153,148)	-	(3,153,148)
Total comprehensive loss for the year	-	-	-	-	(3,153,148)	(36,927,232)	(40,080,380)
Transfer to accumulated losses (Note 13.2)	-	-	(100,000,000)	-	-	100,000,000	-
Transfer to reinsurance reserve	-	-	-	4,607,833	-	(4,607,833)	-
Balance at 31 December 2024	250,000,000	122,126,377	100,000,000	18,901,014	(18,842,169)	(15,713,982)	456,471,240

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

Consolidated statement of cash flows For the year ended 31 December 2024

	Notes	2024 AED	2023 AED
Cash flows from operating activities			
Loss for the year before tax		(36,927,232)	(132,762,469)
Adjustments for:			
Depreciation of property and equipment	5	4,663,722	4,990,052
Interest income on deposits	18	(15,786,662)	(12,308,056)
Dividend income	18	(2,989,308)	(3,324,127)
Net income from investment properties	6	(30,064,522)	(24,192,089)
Change in fair value of investment properties	6	3,000,000	(2,741,344)
Provision for employees' end of service indemnity	14	5,142,269	2,439,778
Finance costs		25,141,489	19,254,147
Other income	18	(72,399)	(195,329)
Board of Directors' remuneration	32	3,600,000	1,800,000
Operating cash flows before changes in working capital		(44,292,643)	(147,039,437)
Change in working capital			
Net reinsurance contract assets		(85,851,856)	79,480,019
Other receivables		(836,364)	(2,147,956)
Net insurance contract liabilities		205,769,221	(3,075,475)
Other payables		6,642,909	7,315,020
Cash generated from / (used in) operating activities		81,431,267	(65,467,829)
Employees' end of service benefits paid	14	(1,475,998)	(1,143,983)
Board of Directors' remuneration paid		(2,850,000)	-
Net cash generated from / (used in) operating activities		77,105,269	(66,611,812)
Cash flows from investing activities			
Movement in fixed deposits		(74,757,952)	26,836,428
Movement in margin deposits		2,000	(124,390)
Additions on investment properties	6	(4,205,989)	(2,546,156)
Purchase of investments at FVTOCI	7	-	(3,089,749)
Proceeds from sale of investments at FVTOCI	7	-	3,032,570
Purchase of property and equipment	5	(1,369,879)	(1,004,885)
Interest income on deposits		14,009,283	12,308,056
Dividend from investments	18	2,989,308	3,324,127
Income from investment properties		28,254,588	24,192,089
Other income		36,276	139,308
Net cash (used in) / generated from investing activities		(35,042,365)	63,067,398
Cash flows from financing activities			
Obtained/repayment of bank borrowings – net	15	21,092,255	57,851,231
Finance costs paid		(24,935,077)	(18,881,763)
Lease payments	16	(4,421,893)	(4,811,793)
Net cash (used in) / generated from financing activities		(8,264,715)	34,157,675
Net change in cash and cash equivalents during the year		33,798,189	30,613,261
Cash and cash equivalents at the beginning of the year		72,952,230	42,338,969
Cash and cash equivalents at the end of the year	11	106,750,419	72,952,230
Non-cash transactions:			
Rights of use assets		602,899	2,094,031
Lease liability		(566,776)	(2,038,010)
Reinsurance reserve		4,607,833	4,076,657
Voluntary reserve		(100,000,000)	-
Accumulated losses		100,000,000	-

The accompanying notes from 1 to 35 form an integral part of these consolidated financial statements.

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

Notes to the consolidated financial statements For the year ended 31 December 2024

1. General information

Al Buhaira National Insurance Company P.S.C. (the "Parent 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 Parent Company is subject to the regulations of UAE Federal Law No. (48) of 2023, concerning Financial Regulations of Insurance Companies issued by the Central Bank of UAE ("CBUAE") and regulation of its operations and is registered in the Insurance Companies Register of the CBUAE, under registration No.12. The address of the Parent Company's registered corporate office is P.O. Box 6000, Sharjah, United Arab Emirates.

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

The consolidated 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. The Parent Company's ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The Group consists of Al Buhaira National Company P.S.C. and its subsidiary (the "Group") as disclosed in Note 3.3 to the consolidated financial statements.

On April 16, 2024, the United Arab Emirates experienced an extraordinary bout of heavy rainfall, leading to significant disruptions throughout the country. As a consequence, the Company faced a surge in claims, totaling 4,104 cases and amounting to AED 139.1 million. Of this total, AED 125.3 million is expected to be recoverable through reinsurance.

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

2.1 New and revised IFRSs and interpretations applied on the consolidated financial statements

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

Standard number	Title	Effective date
IAS 1	Amendments 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: Disclosure - Supplier Finance Arrangements	1 January 2024
IFRS 16	Amendments to IFRS 16 - Leases on sale and leaseback	1 January 2024

These standards have been adopted by the Group and did not have a material impact on these consolidated financial statements.

2.2 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 Group's financial statements are disclosed below. The Group 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 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025
IFRS 9 & IFRS 7	Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure regarding 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

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

These consolidated financial statements are for the year ended 31 December 2024 and are presented in Arab Emirate Dirham (AED), which is also the functional currency of the Group. The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards promulgated by International Accounting Standard Board (IASB) and interpretations thereof issued by the IFRS Interpretations Committee ("IFRS IC") and in compliance with the applicable requirements of the UAE Federal Decree Law No. (32) of 2021 ("Companies Law"), relating to commercial companies and UAE Federal Law No. (48) of 2023 concerning Financial Regulations for Insurance Companies issued by the CBUAE and regulation of its operations.

3.2 Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for investment properties and financial assets carried at fair value through other comprehensive income which are carried at fair value and the provision for employees' end of service benefit which is calculated in line with UAE labour laws.

The Group's consolidated statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: bank balances and cash, other receivables and other payables. The following balances would generally be classified as non-current: property and equipment, investment properties, statutory deposit and provision for employees' end of service benefit. The following balances are of mixed nature (including both current and non-current portions): investments in securities at fair value through other comprehensive income, reinsurance contract assets, insurance contract liabilities, bank borrowings and lease liabilities.

3.3 Basis of consolidation

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

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.3 Basis of consolidation (continued)

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 consolidated income statement and consolidated statement of other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements 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 Group's subsidiary at 31 December 2024 and 2023 is as below:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting power held	Principal activity
Al Buhaira Economic Investments Establishment	Sharjah, U.A.E.	100%	Investing in economic projects.

3.4 IFRS 17 Insurance Contracts

Insurance and reinsurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

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

Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.4 IFRS 17 Insurance Contracts (continued)

Level of aggregation

IFRS 17 requires a company to determine the level of aggregation for applying its requirements. The Group previously applied aggregation levels under IFRS 4, which were significantly higher than the level of aggregation required by IFRS 17. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. This means that, for determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. As such, what is treated as a contract for accounting purposes may differ from what is considered as a contract for other purposes (i.e., legal or management). IFRS 17 also notes that no group for level of aggregation purposes may contain contracts issued more than one year apart.

The Group has elected to group together those contracts that would fall into different groups only because law, regulation or internal policies specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The Group applied a full retrospective approach for transition to IFRS 17. The portfolios are further divided into groups of contracts by quarter of issue and profitability for recognition and measurement purposes.

Hence, within each quarter of issue, portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

The profitability of groups of contracts is assessed by profitability committee that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances.

The Group has a Profitability Assessment Committee that meets at regular intervals to determine the profitability groupings of each portfolio of contracts. The committee acts as a forum to collect input from the pricing and underwriting functions and assess the relevant facts and circumstances which indicate that groups of contracts are onerous at initial recognition.

Below are some of the relevant facts and circumstances that the Group considers:

- Evaluation of expected combined ratios;
- Pricing information;
- Results of similar contracts it has recognised; and
- Environment factors, e.g., a change in market experience or regulations.

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. For some groups of reinsurance contracts held, a group can comprise a single contract.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.4 IFRS 17 Insurance Contracts (continued)

Recognition

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

- The beginning of the coverage year of the group of contracts;
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date;
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous the Group recognises a group of reinsurance contracts held;
- If the reinsurance contracts provide proportionate coverage at the later of the beginning of the coverage year of the group, or the initial recognition of any underlying contract; and

In all other cases, from the beginning of the coverage year of the group the Group adds new contracts to the group when they are issued or initiated.

Contract boundary

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

A substantive obligation to provide services ends when:

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

Both of the following criteria are satisfied:

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

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

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

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

- The coverage year 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 Group has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Group has also considered qualitative factors such as the nature of the risk and types of its lines of business.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.4 IFRS 17 Insurance Contracts (continued)

Measurement - Premium Allocation Approach (continued)

Insurance contracts – initial measurement (continued)

The Group 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 Group measures the liability for remaining coverage as the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed, plus or minus any amount arising from the derecognition at that date of the asset or liability recognised for insurance acquisition cash flows that the Group 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 Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues, however, 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 Group 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 Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not 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 that are expected to be paid within one year of being incurred.

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

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.4 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 Group derecognises insurance contracts when:

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

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

Presentation

The Group has presented separately, in the consolidated 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 Group disaggregates the total amount recognised in the consolidated 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 Group 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 Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

The insurance revenue for the year is the amount of expected premium receipts (excluding any investment component) allocated to the year. The Group allocates the expected premium receipts to each year of coverage on the basis of the passage of time; but if the expected pattern of release of risk during the coverage year differs significantly from the passage of time, then on the basis of the expected timing of incurred insurance service expenses.

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. For the years presented, all revenue has been recognised on the basis of the passage of time.

Loss components

The Group assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. The Group reassess this on quarterly basis and if at quarter end, the facts and circumstances indicate that a group of insurance contracts is onerous, the Group 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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.4 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 Group do not disaggregate insurance finance income or expenses between profit or loss and OCI.

Net income or expense from reinsurance contracts held

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

Classification of insurance contracts

Insurance contracts issued by the Group are classified into two main categories, depending on the duration of risk being: short-term insurance contracts and long-term insurance contracts.

Short-term insurance contracts

These contracts are medical, motor, property, casualty, marine, engineering and short-duration life insurance contracts.

Medical insurance contracts protect the Group's customers against the risk of incurring medical expenses. Medical selection is part of the Group's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Marine insurance covers the loss or damage of ships, cargo, terminals, and any transport by which the property is transferred, acquired, or held between the points of origin and the final destination.

Engineering Insurance is an insurance policy that covers a wide range of engineering related risks. It is a comprehensive insurance that provides complete protection against risks associated with erection, resting, and working of any machinery, plant or equipment.

Motor insurance comprises Comprehensive Insurance and Third-Party Insurance. Comprehensive Insurance covers the policy holder for any loss or damage to the policy holder's vehicle caused either by themselves or a third party. It also covers any third party for loss or damage caused by the policy holder. Third Party Insurance, on the other hand only covers the third party for any loss of damage caused by the policy holder.

Property insurance contracts mainly compensate the Group's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Casualty insurance contracts protect the Group's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.4 IFRS 17 Insurance Contracts (continued)

Short-term insurance contracts (continued)

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

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

Long-term insurance contracts

The Group has not written any long-term products during the year ended 31 December 2024 (31 December 2023: nil). Currently, the Group has no intention to grow this line. The existing portfolio will expire with the passage of time. This portfolio include writes single premium savings plan (Everest Product) which is a hybrid between Universal Life and traditional Endowment plans for periods of 3, 5 or 7 years. The plan offers guaranteed maturity benefit and death benefit as higher of policy value or single premium paid. Policy value is calculated as the sum of general and separate account values as at the date of valuation.

The general account value is invested in fixed deposits. The value of deposit as at the valuation date is taken to be general account value.

Separate account is invested in international equities by the reinsurer who carries the investment risk.

3.5 Investment and other income

3.5.1 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.5.2 Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

3.5.3 Rental income

Rental income from investment properties which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

3.6 General and administrative expenses

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to consolidated statement of profit or loss as unallocated general and administrative expenses.

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

Notes to the consolidated financial statements (continued) **For the year ended 31 December 2024**

3. Material accounting policies (continued)

3.7 Foreign currencies

The consolidated financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of a group entity are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in consolidated statement of profit or loss in the year in which they arise.

3.8 Employee benefits

3.8.1 Defined contribution plan

U.A.E. national employees of the Group are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Group 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 Group with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to consolidated statement of profit or loss.

3.8.2 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.

3.8.3 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. 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.

The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

3.9 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method proportionately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Land is stated at cost less impairment if any.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.9 Property and equipment (continued)

The useful lives considered in the calculation of depreciation for the assets are as follows:

	Years
Furniture and equipment	5
Computer equipment	5
Office fixture and fittings	10
Residential villa	15

3.10 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 values of investment properties are included in the consolidated statement of 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 consolidated statement of profit or loss in the period of retirement or disposal.

Fair value is determined by open market values based on valuations performed by independent surveyors and consultants.

3.11 Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.12 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

3.14 Financial instruments

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 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 Group'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 Group may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:
 - a. the Group 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 Group 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).

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

3. Material accounting policies (continued)

3.14 Financial instruments (continued)

Cash and bank and other receivables

Cash and bank and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

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 reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings. The Group 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 consolidated statement of profit or loss when the Group'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 OCI and are never reclassified to profit or loss.

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 profit or loss.

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognising related gains and losses on a different basis (an "accounting mismatch").

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.14 Financial instruments (continued)

Reclassifications

If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Group's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Group holds financial assets and therefore no reclassifications were made.

Measurement of ECL

The Group considers broader range of information when assessing the credit risk, and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk. (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low. (Stage 2)

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

12-month expected credit loss are recognised for the first category (Stage 1) while "life time expected credit losses" are recognised for the second category (Stage 2). Measurement of the expected credit losses is determined by a probability - weighted estimate of credit losses over the expected life of the financial instrument.

The Group makes use of a simplified approach in accounting for insurance receivables and for other receivables records life time expected credit loss. These are expected shortfalls in the contractual cashflows, considering the potential for default at any point during the life of a financial instrument. In calculating, the Group uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Group assesses impairment of insurance receivables on a collective basis as they possess shared credit risks characteristics, they have been grouped based on the days past due.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.14 Financial instruments (continued)

Measurement of ECL (continued)

The Group employs statistical models for ECL calculations. ECLs are a probability-weighted estimate of credit losses.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

These parameters will be derived from our internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

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 Group assesses whether financial assets carried at amortised costs are credit-impaired.

Derecognition of financial assets

The Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Presentation of allowance for ECL in the consolidated financial statements

Loss allowances for ECL are presented in the consolidated financial statements as follows:

- for financial assets measured at amortised cost (insurance and other receivables and cash and bank): as a deduction from the gross carrying amount of the assets;
- for debt instruments measured at FVTOCI: no loss allowance is recognised in the consolidated statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in revaluation reserve and recognised in other comprehensive income;

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.15 Leases

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

3.15.1 Lessee

For any new contracts entered into on or after January 1, 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract or part of a contract, that conveys the right-to-use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

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

Measurement and recognition of leases as a lessee

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

The Group depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Group also assesses the right of use asset for impairment when such indicators exist. At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

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

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

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

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

On the consolidated statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been included in as a separate line item as lease liabilities

3.15.2 Lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

3. Material accounting policies (continued)

3.16 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized with in fair value hierarchy, based on the lowest level of input that is significant to the fair value measurement as a whole.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the assets or liability.

3.17 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account except to the extent that relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current

Provision for current taxation is based on taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalised during the current year for such years.

Deferred taxation

Deferred taxation is accounted for using the statement of financial position liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the profit and loss account, except in the case of items credited or charged to statement of comprehensive income in which case it is included in statement of comprehensive income.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 3 to these consolidated financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4.1.1 Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at FVTOCI or FVTPL. In judging whether investments in securities are as at FVTOCI or FVTPL, management has considered the detailed criteria for determination of such classification as set out IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

4.1.2 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4.1.3 Significant increase in credit risk

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 Group 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.

4.1.4 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty

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

4.2.1 Insurance and reinsurance contracts

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

Liability for remaining coverage

For insurance acquisition cash flows, the Group is eligible and chooses to capitalise all insurance acquisition cashflows upon payments.

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts 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 profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage year. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

Liability for incurred claims

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

The main assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

4.2.2 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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.2 Discount rates (continued)

EIOPA USD risk free Volatility Adjusted (Spot) rates were used with country risk premium/ illiquidity premium of 0.72% is applied for discounting of future cash flows for 2024 and 0.72% for 2023 are listed below:

	1 year		3 years		5 years		10 years	
	2024	2023	2024	2023	2024	2023	2024	2023
Liability for Incurred Claims								
AED	5.27%	5.95%	5.15%	4.92%	5.11%	4.69%	5.16%	4.64%
USD	4.55%	5.23%	4.43%	4.19%	4.39%	3.97%	4.44%	3.92%
Liability for reinsurance contracts issued								
AED	5.27%	5.95%	5.15%	4.92%	5.11%	4.69%	5.16%	4.64%
USD	4.55%	5.23%	4.43%	4.19%	4.39%	3.97%	4.44%	3.92%

4.2.3 Impairment of financial assets

When measuring ECL and IFRS 9, the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements. Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The determination of whether the insurance receivables are impaired, entails the Group evaluating, the credit and liquidity position of the insurance companies, historical recovery rates including detailed investigations carried out and feedback received from the legal department. The difference between the estimated collectible amount and the carrying value is recognised as an expense in the consolidated statement of profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the consolidated statement of profit or loss at the time of collection.

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using expected cash flows discounted at current rates for similar instruments or other valuation models.

4.2.5 Revaluation of investment properties

The investment properties are carried at fair value, with changes in the fair value being recognised in the consolidated statement of profit or loss. The management engaged independent valuation specialists to assess fair value during the year. The fair value of plots of land was determined based on the acceptable approach that reflects recent transactions prices for similar properties. The fair value of buildings was determined using income approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

4.2 Key sources of estimation uncertainty (continued)

4.2.6 *Risk adjustment for non-financial risk*

The Group use Mack method or bootstrapping to determine its risk adjustment for non-financial risk. The bootstrap effectively allows the Group to measure the uncertainty about the amount and timing of the cash flows that arise from non-financial risk since bootstrapping the triangles aims to illustrate the variability of the paid claims.

The risk adjustment for non-financial risk is the compensation that the Group 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 Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 80th percentile. That is, the Group has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 80th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group 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.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

5. Property and equipment

	Land AED	Furniture and equipment AED	Computer equipment AED	Office fixture and fittings AED	Residential villa AED	Right of use assets AED	Total AED
<i>Cost</i>							
As at 1 January 2024	649,000	7,041,605	13,125,755	7,154,404	1,057,827	22,912,514	51,941,105
Additions	-	106,529	784,250	479,100	-	1,489,801	2,859,680
Disposal	-	-	-	-	-	(2,356,866)	(2,356,866)
As at 31 December 2024	649,000	7,148,134	13,910,005	7,633,504	1,057,827	22,045,449	52,443,919
<i>Accumulated depreciation</i>							
As at 1 January 2024	-	6,389,375	8,352,531	5,876,794	1,057,827	16,392,386	38,068,913
Charge for the year	-	219,646	190,788	187,975	-	4,065,313	4,663,722
Relating to disposals	-	-	-	-	-	(1,469,964)	(1,469,964)
As at 31 December 2024	-	6,609,021	8,543,319	6,064,769	1,057,827	18,987,735	41,262,671
<i>Carrying amount</i>							
As at 31 December 2024	649,000	539,113	5,366,686	1,568,735	-	3,057,714	11,181,248

At 31 December 2024, the cost of fully depreciated property and equipment that was still in use amounted to AED 24.57 million (2023: AED 23.90 million).

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

Notes to the consolidated financial statements (continued)
For the year ended 31 December 2024

5. Property and equipment (continued)

	Land AED	Furniture and equipment AED	Computer equipment AED	Office fixture and fittings AED	Residential Villa AED	Right of use AED	Total AED
<i>Cost</i>							
As at 1 January 2023	649,000	6,818,313	12,734,610	6,763,956	1,057,827	21,403,223	49,426,929
Additions	-	223,292	391,145	390,448	-	2,841,817	3,846,702
Disposal	-	-	-	-	-	(1,332,526)	(1,332,526)
As at 31 December 2023	649,000	7,041,605	13,125,755	7,154,404	1,057,827	22,912,514	51,941,105
<i>Accumulated depreciation</i>							
As at 1 January 2023	-	6,179,059	8,153,660	5,702,933	1,057,827	12,570,122	33,663,601
Charge for the year	-	210,316	198,871	173,861	-	4,407,004	4,990,052
Relating to disposals	-	-	-	-	-	(584,740)	(584,740)
As at 31 December 2023	-	6,389,375	8,352,531	5,876,794	1,057,827	16,392,386	38,068,913
<i>Carrying amount</i>							
As at 31 December 2023	649,000	652,230	4,773,224	1,277,610	-	6,520,128	13,872,192

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

6. Investment properties

Investment properties comprise the following at fair value:

	2024 AED	2023 AED
Plots of land	60,000,000	71,250,000
Buildings	789,055,989	776,600,000
	<u>849,055,989</u>	<u>847,850,000</u>

Movement during the year was as follows:

	2024 AED	2023 AED
Fair value at the beginning of the year	847,850,000	842,562,500
Additions	4,205,989	2,546,156
Change in fair value during the year (Note 18)	(3,000,000)	2,741,344
Fair value at the end of the year	<u>849,055,989</u>	<u>847,850,000</u>

The fair value of the Group's investments properties as at 31 December 2024 has been arrived at on the basis of valuations carried on the respective dates by independent competent valuers who have recent market experience in the valuation of properties in the United Arab Emirates.

The fair value of plots of land and buildings was determined using market approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The Group's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2024 (2023: Level 3).

Investment property amounting to AED 849 million (2023: AED 847.8 million) is mortgaged to a bank towards credit facilities granted to the Group (Note 15).

The rental proceeds from Al Khan, Al Nahda and Al Buhairah Corniche Towers are assigned to a bank against credit facilities granted to the Group (Note 15).

The property rental income earned by the Group from its investment properties, which are leased out under operating leases, and direct operating expenses arising on the investment property are as follows:

	2024 AED	2023 AED
Rental income	48,155,728	43,668,609
Direct operating expenses	(18,091,206)	(19,476,520)
Income from investment properties (Note 18)	<u>30,064,522</u>	<u>24,192,089</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

7. Investments in securities at fair value through Other Comprehensive Income (FVTOCI)

	2024 AED	2023 AED
Equity investments at FVTOCI		
Quoted – at fair value	52,935,943	56,089,091
Unquoted – at fair value	3,478,098	3,478,098
	<u>56,414,041</u>	<u>59,567,189</u>

Movement during the year was as follows:

	2024 AED	2023 AED
Fair value at the beginning of the year	59,567,189	58,259,180
Purchases during the year	-	3,089,749
Disposals during the year	-	(3,032,570)
Change in fair value	(3,153,148)	1,250,830
Fair value at the end of the year	<u>56,414,041</u>	<u>59,567,189</u>

	<u>Within U.A.E.</u>		<u>Outside U.A.E.</u>		<u>Total</u>	
	2024 AED	2023 AED	2024 AED	2023 AED	2024 AED	2023 AED
Quoted	52,935,943	56,089,091	-	-	52,935,943	56,089,091
Unquoted	3,478,098	3,478,098	-	-	3,478,098	3,478,098
	<u>56,414,041</u>	<u>59,567,189</u>	<u>-</u>	<u>-</u>	<u>56,414,041</u>	<u>59,567,189</u>

8. Statutory deposit

In accordance with the requirements of Article (38) of the UAE Federal Law No. (48) of 2023, the Group maintains a bank deposit of AED 10 million (2023: AED 10 million) as a statutory deposit. This deposit cannot be withdrawn without prior approval of the CBUAE and yields interest rate per annum of 5.40% (2023: 5.25%).

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

9. Insurance and reinsurance contracts

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

		2024			2023		
	Notes	Assets AED	Liabilities AED	Net AED	Assets AED	Liabilities AED	Net AED
Insurance contracts issued							
Motor	9.1	-	19,423,629	(19,423,629)	-	279,544	(279,544)
Marine	9.2	-	82,355,884	(82,355,884)	-	62,792,702	(62,792,702)
FGA	9.3	-	36,305,345	(36,305,345)	12,462,413	-	12,462,413
Medical	9.4	-	582,245,224	(582,245,224)	-	466,560,195	(466,560,195)
Life	9.5	-	10,661,045	(10,661,045)	-	8,051,878	(8,051,878)
Total insurance contracts issued		-	730,991,127	(730,991,127)	12,462,413	537,684,319	(525,221,906)
Reinsurance contracts held							
Motor	9.6	57,075,325	-	57,075,325	32,739,185	59,068,777	(26,329,592)
Marine	9.7	48,810,684	-	48,810,684	30,943,273	-	30,943,273
FGA	9.8	74,980,724	26,032,768	48,947,956	38,671,744	-	38,671,744
Medical	9.9	329,926,364	293,820,843	36,105,521	310,636,944	246,352,553	64,284,391
Life	9.10	11,401,696	3,067,982	8,333,714	9,212,804	3,361,276	5,851,528
Total reinsurance contracts held		522,194,793	322,921,593	199,273,200	422,203,950	308,782,606	113,421,344

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

The Group disaggregates information to provide disclosures in respect of major product lines separately for Motor, Marine, FGA, Medical and Life. This disaggregation has been determined based on how the Group is managed.

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 on the following page:

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

9. Insurance and reinsurance contracts (continued)

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

Contracts measured under the PAA

9.1 Motor

	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2024					
Insurance contract liabilities as at 1 January	(165,152,113)	(2)	159,221,140	6,210,519	279,544
Insurance revenue	(240,057,394)	-	-	-	(240,057,394)
Insurance service expenses					
Incurred claims and other expenses	-	-	390,141,393	5,447,886	395,589,279
Amortisation of insurance acquisition cash flows	21,975,129	-	-	-	21,975,129
Losses on onerous contracts and reversals	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(41,500,247)	(5,466,119)	(46,966,366)
Insurance service result	(218,082,265)	-	348,641,146	(18,233)	130,540,648
Insurance finance expenses	-	-	5,982,963	233,369	6,216,332
Total changes in the statement of profit or loss	(218,082,265)	-	354,624,109	215,136	136,756,980
Cash flows					
Premiums received	237,687,572	-	-	-	237,687,572
Claims and other expenses	-	-	(333,325,338)	-	(333,325,338)
Insurance acquisition cash flows	(21,975,129)	-	-	-	(21,975,129)
Total cash flows	215,712,443	-	(333,325,338)	-	(117,612,895)
Net insurance contract liabilities as at 31 December	(167,521,935)	(2)	180,519,911	6,425,655	19,423,629
2023					
Insurance contract liabilities as at 1 January	(155,567,782)	11,986,139	191,257,483	6,679,033	54,354,873
Insurance revenue	(197,355,225)	-	-	-	(197,355,225)
Insurance service expenses					
Incurred claims and other expenses	-	-	298,534,664	4,824,402	303,359,066
Amortisation of insurance acquisition cash flows	22,599,622	-	-	-	22,599,622
Losses on onerous contracts and reversals	-	(11,986,141)	-	-	(11,986,141)
Changes to liabilities for incurred claims	-	-	(8,991,847)	(5,567,956)	(14,559,803)
Insurance service result	(174,755,603)	(11,986,141)	289,542,817	(743,554)	102,057,519
Insurance finance expenses	-	-	7,875,870	275,040	8,150,910
Total changes in the statement of profit or loss	(174,755,603)	(11,986,141)	297,418,687	(468,514)	110,208,429
Cash flows					
Premiums received	187,770,894	-	-	-	187,770,894
Claims and other expenses	-	-	(329,455,030)	-	(329,455,030)
Insurance acquisition cash flows	(22,599,622)	-	-	-	(22,599,622)
Total cash flows	165,171,272	-	(329,455,030)	-	(164,283,758)
Net insurance contract liabilities as at 31 December	(165,152,113)	(2)	159,221,140	6,210,519	279,544

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

9. Insurance and reinsurance contracts (continued)

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

Contracts measured under the PAA (continued)

9.2 Marine

	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2024					
Insurance contract liabilities as at 1 January	36,008,909	-	25,577,887	1,205,906	62,792,702
Insurance revenue	(31,567,709)	-	-	-	(31,567,709)
Insurance service expenses					
Incurred claims and other expenses	-	-	37,436,408	1,262,121	38,698,529
Amortisation of insurance acquisition cash flows	2,285,739	-	-	-	2,285,739
Losses on onerous contracts and reversals	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	6,308,847	(637,901)	5,670,946
Insurance service result	(29,281,970)	-	43,745,255	624,220	15,087,505
Insurance finance expenses	-	-	1,114,709	52,554	1,167,263
Total changes in the statement of profit or loss	(29,281,970)	-	44,859,964	676,774	16,254,768
Cash flows					
Premiums received	32,273,555	-	-	-	32,273,555
Claims and other expenses	-	-	(26,679,402)	-	(26,679,402)
Insurance acquisition cash flows	(2,285,739)	-	-	-	(2,285,739)
Total cash flows	29,987,816	-	(26,679,402)	-	3,308,414
Net insurance contract liabilities as at 31 December	36,714,755	-	43,758,449	1,882,680	82,355,884
2023					
Insurance contract liabilities as at 1 January	40,560,005	32,102	32,734,329	1,381,720	74,708,156
Insurance revenue	(32,431,377)	-	-	-	(32,431,377)
Insurance service expenses					
Incurred claims and other expenses	-	-	31,989,810	1,063,004	33,052,814
Amortisation of insurance acquisition cash flows	3,035,146	-	-	-	3,035,146
Losses on onerous contracts and reversals	-	(32,102)	-	-	(32,102)
Changes to liabilities for incurred claims	-	-	(23,261,433)	(1,293,510)	(24,554,943)
Insurance service result	(29,396,231)	(32,102)	8,728,377	(230,506)	(20,930,462)
Insurance finance expenses	-	-	1,295,677	54,692	1,350,369
Total changes in the statement of profit or loss	(29,396,231)	(32,102)	10,024,054	(175,814)	(19,580,093)
Cash flows					
Premiums received	27,880,281	-	-	-	27,880,281
Claims and other expenses	-	-	(17,180,496)	-	(17,180,496)
Insurance acquisition cash flows	(3,035,146)	-	-	-	(3,035,146)
Total cash flows	24,845,135	-	(17,180,496)	-	7,664,639
Net insurance contract liabilities as at 31 December	36,008,909	-	25,577,887	1,205,906	62,792,702

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

9. Insurance and reinsurance contracts (continued)

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

Contracts measured under the PAA (continued)

9.3 FGA

	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2024					
Insurance contract liabilities as at 1 January	(59,114,394)	(4)	44,106,839	2,545,146	(12,462,413)
Insurance revenue	(142,835,988)	-	-	-	
Insurance service expenses					
Incurred claims and other expenses	-	-	105,224,312	3,781,996	109,006,308
Amortisation of insurance acquisition cash flows	3,600,869	-	-	-	3,600,869
Losses on onerous contracts and reversals	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(11,694,871)	(1,632,389)	(13,327,260)
Insurance service result	(139,235,119)	-	93,529,441	2,149,607	(43,556,071)
Insurance finance expenses	-	-	1,665,117	95,384	1,760,501
Total changes in the statement of profit or loss	(139,235,119)	-	95,194,558	2,244,991	(41,795,570)
Cash flows					
Premiums received	138,307,791	-	-	-	138,307,791
Claims and other expenses	-	-	(44,143,594)	-	(44,143,594)
Insurance acquisition cash flows	(3,600,869)	-	-	-	(3,600,869)
Total cash flows	134,706,922	-	(44,143,594)	-	90,563,328
Net insurance contract liabilities as at 31 December	(63,642,591)	(4)	95,157,803	4,790,137	36,305,345
2023					
Insurance contract liabilities as at 1 January	(47,350,689)	315,284	61,651,982	3,191,012	17,807,589
Insurance revenue	(109,684,765)	-	-	-	(109,684,765)
Insurance service expenses					
Incurred claims and other expenses	-	-	46,628,793	1,867,490	48,496,283
Amortisation of insurance acquisition cash flows	3,393,341	-	-	-	3,393,341
Losses on onerous contracts and reversals	-	(315,288)	-	-	(315,288)
Changes to liabilities for incurred claims	-	-	(33,432,346)	(2,646,396)	(36,078,742)
Insurance service result	(106,291,424)	(315,288)	13,196,447	(778,906)	(94,189,171)
Insurance finance expenses	-	-	2,584,708	133,040	2,717,748
Total changes in the statement of profit or loss	(106,291,424)	(315,288)	15,781,155	(645,866)	(91,471,423)
Cash flows					
Premiums received	97,921,060	-	-	-	97,921,060
Claims and other expenses	-	-	(33,326,298)	-	(33,326,298)
Insurance acquisition cash flows	(3,393,341)	-	-	-	(3,393,341)
Total cash flows	94,527,719	-	(33,326,298)	-	61,201,421
Net insurance contract assets as at 31 December	(59,114,394)	(4)	44,106,839	2,545,146	(12,462,413)

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

9. Insurance and reinsurance contracts (continued)

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

Contracts measured under the PAA (continued)

9.4 Medical

	Liabilities for remaining coverage		Liabilities for incurred claims		Total
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2024					
Insurance contract liabilities as at 1 January	39,161,664	-	418,150,419	9,248,112	466,560,195
Insurance revenue	(1,019,550,375)	-	-	-	(1,019,550,375)
Insurance service expenses					
Incurred claims and other expenses	-	-	909,088,586	8,017,975	917,106,561
Amortisation of insurance acquisition cash flows	30,932,501	-	-	-	30,932,501
Losses on onerous contracts and reversals	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(662,153)	(7,390,399)	(8,052,552)
Insurance service result	(988,617,874)	-	908,426,433	627,576	(79,563,865)
Insurance finance expenses	-	-	10,330,809	228,478	10,559,287
Total changes in the statement of profit or loss	(988,617,874)	-	918,757,242	856,054	(69,004,578)
Cash flows					
Premiums received	1,051,906,693	-	-	-	1,051,906,693
Claims and other expenses	-	-	(836,284,585)	-	(836,284,585)
Insurance acquisition cash flows	(30,932,501)	-	-	-	(30,932,501)
Total cash flows	1,020,974,192	-	(836,284,585)	-	184,689,607
Net insurance contract liabilities as at 31 December	71,517,982	-	500,623,076	10,104,166	582,245,224
2023					
Insurance contract liabilities as at 1 January	23,177,062	18,567	338,289,485	6,698,495	368,183,609
Insurance revenue	(838,441,302)	-	-	-	(838,441,302)
Insurance service expenses					
Incurred claims and other expenses	-	-	858,641,874	8,007,432	866,649,306
Amortisation of insurance acquisition cash flows	19,827,734	-	-	-	19,827,734
Losses on onerous contracts and reversals	-	(18,567)	-	-	(18,567)
Changes to liabilities for incurred claims	-	-	(15,539,957)	(5,652,882)	(21,192,839)
Insurance service result	(818,613,568)	(18,567)	843,101,917	2,354,550	26,824,332
Insurance finance expenses	-	-	9,851,378	195,067	10,046,445
Total changes in the statement of profit or loss	(818,613,568)	(18,567)	852,953,295	2,549,617	36,870,777
Cash flows					
Premiums received	854,425,904	-	-	-	854,425,904
Claims and other expenses	-	-	(773,092,361)	-	(773,092,361)
Insurance acquisition cash flows	(19,827,734)	-	-	-	(19,827,734)
Total cash flows	834,598,170	-	(773,092,361)	-	61,505,809
Net insurance contract liabilities as at 31 December	39,161,664	-	418,150,419	9,248,112	466,560,195

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

9. Insurance and reinsurance contracts (continued)

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

Contracts measured under the PAA (continued)

9.5 Life

	Liabilities for remaining coverage		Liabilities for incurred claims		Total AED
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2024					
Insurance contract liabilities as at 1 January	(5,715,407)	1	13,706,896	60,388	8,051,878
Insurance revenue	(14,890,925)	-	-	-	(14,890,925)
Insurance service expenses					
Incurred claims and other expenses	-	-	13,510,118	26,703	13,536,821
Amortisation of insurance acquisition cash flows	709,489	-	-	-	709,489
Losses on onerous contracts and reversals	-	-	-	-	-
Changes to liabilities for incurred claims	-	-	(1,013,799)	(23,364)	(1,037,163)
Insurance service result	(14,181,436)	-	12,496,319	3,339	(1,681,778)
Insurance finance expenses	-	-	431,032	1,900	432,932
Total changes in the statement of profit or loss	(14,181,436)	-	12,927,351	5,239	(1,248,846)
Cash flows					
Premiums received	15,233,090	-	-	-	15,233,090
Claims and other expenses	-	-	(10,665,588)	-	(10,665,588)
Insurance acquisition cash flows	(709,489)	-	-	-	(709,489)
Total cash flows	14,523,601	-	(10,665,588)	-	3,858,013
Net insurance contract liabilities as at 31 December	(5,373,242)	1	15,968,659	65,627	10,661,045
2023					
Insurance contract liabilities as at 1 January	(2,949,384)	22,193	16,105,407	64,938	13,243,154
Insurance revenue	(12,729,192)	-	-	-	(12,729,192)
Insurance service expenses					
Incurred claims and other expenses	-	-	10,797,633	24,645	10,822,278
Amortisation of insurance acquisition cash flows	444,461	-	-	-	444,461
Losses on onerous contracts and reversals	-	(22,192)	-	-	(22,192)
Changes to liabilities for incurred claims	-	-	(6,545,690)	(31,115)	(6,576,805)
Insurance service result	(12,284,731)	(22,192)	4,251,943	(6,470)	(8,061,450)
Insurance finance expenses	-	-	476,073	1,920	477,993
Total changes in the statement of profit or loss	(12,284,731)	(22,192)	4,728,016	(4,550)	(7,583,457)
Cash flows					
Premiums received	9,963,169	-	-	-	9,963,169
Claims and other expenses	-	-	(7,126,527)	-	(7,126,527)
Insurance acquisition cash flows	(444,461)	-	-	-	(444,461)
Total cash flows	9,518,708	-	(7,126,527)	-	2,392,181
Net insurance contract liabilities as at 31 December	(5,715,407)	1	13,706,896	60,388	8,051,878

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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

9.6 Motor

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	-	-	31,146,463	1,592,722	32,739,185
Reinsurance contract liabilities as at 1 January	(59,068,777)	-	-	-	(59,068,777)
Net reinsurance contract assets	(59,068,777)	-	31,146,463	1,592,722	(26,329,592)
An allocation of reinsurance premiums	(43,641,078)	-	-	-	(43,641,078)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	91,493,508	952,961	92,446,469
Changes to amounts recoverable for incurred claims	-	-	7,764,050	(557,156)	7,206,894
Amortisation of insurance acquisition cash flows	16,502,041	-	-	-	16,502,041
Losses on onerous contracts and reversals of those losses – net	-	-	-	-	-
Net income or expense from reinsurance contracts held	(27,139,037)	-	99,257,558	395,805	72,514,326
Reinsurance finance income	-	-	1,089,195	55,697	1,144,892
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(27,139,037)	-	100,346,753	451,502	73,659,218
Cash flows					
Premiums paid	112,821,025	-	-	-	112,821,025
Reinsurance acquisition cash flows	(16,502,041)	-	-	-	(16,502,041)
Amounts received	-	-	(86,573,285)	-	(86,573,285)
Total cash flows	96,318,984	-	(86,573,285)	-	9,745,699
Net reinsurance contract liabilities as at 31 December	10,111,170	-	44,919,931	2,044,224	57,075,325
Reinsurance contract assets as at 31 December	10,111,170	-	44,919,931	2,044,224	57,075,325
Reinsurance contract liabilities as at 31 December	-	-	-	-	-
Net reinsurance contract assets as at 31 December	10,111,170	-	44,919,931	2,044,224	57,075,325

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.6 Motor (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2023					
Reinsurance contract assets as at 1 January	42,673,315	6,745,506	75,723,810	2,644,400	127,787,031
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net reinsurance contract assets	42,673,315	6,745,506	75,723,810	2,644,400	127,787,031
An allocation of reinsurance premiums	(81,892,267)	-	-	-	(81,892,267)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	63,201,987	912,376	64,114,363
Changes to amounts recoverable for incurred claims	-	-	9,894,246	(2,057,506)	7,836,740
Amortisation of insurance acquisition cash flows	(38,580,444)	-	-	-	(38,580,444)
Losses on onerous contracts and reversals of those losses - net	-	(6,745,506)	-	-	(6,745,506)
Net income or expense from reinsurance contracts held	(120,472,711)	(6,745,506)	73,096,233	(1,145,130)	(55,267,114)
Reinsurance finance income	-	-	2,676,007	93,452	2,769,459
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(120,472,711)	(6,745,506)	75,772,240	(1,051,678)	(52,497,655)
<i>Cash flows</i>					
Premiums paid	(19,849,825)	-	-	-	(19,849,825)
Reinsurance acquisition cash flows	38,580,444	-	-	-	38,580,444
Amounts received	-	-	(120,349,587)	-	(120,349,587)
Total cash flows	18,730,619	-	(120,349,587)	-	(101,618,968)
Net reinsurance contract assets as at 31 December	(59,068,777)	-	31,146,463	1,592,722	(26,329,592)
Reinsurance contract assets as at 31 December	-	-	31,146,463	1,592,722	32,739,185
Reinsurance contract liabilities as at 31 December	(59,068,777)	-	-	-	(59,068,777)
Net reinsurance contract liabilities as at 31 December	(59,068,777)	-	31,146,463	1,592,722	(26,329,592)

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

Notes to the consolidated financial statements (continued)

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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)

9.7 Marine

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	3,200,829	-	26,115,527	1,626,917	30,943,273
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net reinsurance contract assets	3,200,829	-	26,115,527	1,626,917	30,943,273
An allocation of reinsurance premiums	(17,159,030)	-	-	-	(17,159,030)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	15,025,575	1,084,255	16,109,830
Changes to amounts recoverable for incurred claims	-	-	5,057,859	(756,652)	4,301,207
Amortisation of insurance acquisition cash flows	4,121,099	-	-	-	4,121,099
Losses on onerous contracts and reversals of those losses - net	-	-	-	-	-
Net income or expense from reinsurance contracts held	(13,037,931)	-	20,083,434	327,603	7,373,106
Reinsurance finance income	-	-	632,472	39,290	671,762
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(13,037,931)	-	20,715,906	366,893	8,044,868
Cash flows					
Premiums paid	17,741,481	-	-	-	17,741,481
Reinsurance acquisition cash flows	(4,121,099)	-	-	-	(4,121,099)
Amounts received	-	-	(3,797,839)	-	(3,797,839)
Total cash flows	13,620,382	-	(3,797,839)	-	9,822,543
Net reinsurance contract assets as at 31 December	3,783,280	-	43,033,594	1,993,810	48,810,684
Reinsurance contract assets as at 31 December	3,783,280	-	43,033,594	1,993,810	48,810,684
Reinsurance contract liabilities as at 31 December	-	-	-	-	-
Net reinsurance contract assets as at 31 December	3,783,280	-	43,033,594	1,993,810	48,810,684

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.7 Marine (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2023					
Reinsurance contract assets as at 1 January	3,408,674	4,738	37,062,892	1,564,429	42,040,733
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net reinsurance contract assets	3,408,674	4,738	37,062,892	1,564,429	42,040,733
An allocation of reinsurance premiums	(18,924,063)	-	-	-	(18,924,063)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	5,168,097	810,923	5,979,020
Changes to amounts recoverable for incurred claims	-	-	(6,689,659)	(800,223)	(7,489,882)
Amortisation of insurance acquisition cash flows	2,815,477	-	-	-	2,815,477
Losses on onerous contracts and reversals of those losses - net	-	(4,738)	-	-	(4,738)
Net income or expense from reinsurance contracts held	(16,108,586)	(4,738)	(1,521,562)	10,700	(17,624,186)
Reinsurance finance income	-	-	1,226,923	51,788	1,278,711
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(16,108,586)	(4,738)	(294,639)	62,488	(16,345,475)
<i>Cash flows</i>					
Premiums paid	18,716,218	-	-	-	18,716,218
Reinsurance acquisition cash flows	(2,815,477)	-	-	-	(2,815,477)
Amounts received	-	-	(10,652,726)	-	(10,652,726)
Total cash flows	15,900,741	-	(10,652,726)	-	5,248,015
Net reinsurance contract assets as at 31 December	3,200,829	-	26,115,527	1,626,917	30,943,273
Reinsurance contract assets as at 31 December	3,200,829	-	26,115,527	1,626,917	30,943,273
Reinsurance contract liabilities as at 31 December	-	-	-	-	-
Net reinsurance contract assets as at 31 December	3,200,829	-	26,115,527	1,626,917	30,943,273

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.8 FGA

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	8,981,908	-	27,962,850	1,726,986	38,671,744
Reinsurance contract liabilities as at 1 January	-	-	-	-	-
Net reinsurance contract assets	8,981,908	-	27,962,850	1,726,986	38,671,744
An allocation of reinsurance premiums	(137,213,053)	-	-	-	(137,213,053)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	73,815,658	2,768,509	76,584,167
Changes to amounts recoverable for incurred claims	-	-	(4,551,017)	(896,488)	(5,447,505)
Amortisation of insurance acquisition cash flows	16,974,695	-	-	-	16,974,695
Losses on onerous contracts and reversals of those losses - net	-	-	-	-	-
Net income or expense from reinsurance contracts held	(120,238,358)	-	69,264,641	1,872,021	(49,101,696)
Reinsurance finance income	-	-	909,665	55,932	965,597
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(120,238,358)	-	70,174,306	1,927,953	(48,136,099)
Cash flows					
Premiums paid	102,198,377	-	-	-	102,198,377
Reinsurance acquisition cash flows	(16,974,695)	-	-	-	(16,974,695)
Amounts received	-	-	(26,811,371)	-	(26,811,371)
Total cash flows	85,223,682	-	(26,811,371)	-	58,412,311
Net reinsurance contract assets as at 31 December	(26,032,768)	-	71,325,785	3,654,939	48,947,956
Reinsurance contract assets as at 31 December	-	-	71,325,785	3,654,939	74,980,724
Reinsurance contract liabilities as at 31 December	(26,032,768)	-	-	-	(26,032,768)
Net reinsurance contract assets as at 31 December	(26,032,768)	-	71,325,785	3,654,939	48,947,956

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.8 FGA (continued)

2023	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	-	61,223	44,067,214	2,255,144	46,383,581
Reinsurance contract liabilities as at 1 January	(27,939,508)	-	-	-	(27,939,508)
Net reinsurance contract assets	(27,939,508)	61,223	44,067,214	2,255,144	18,444,073
An allocation of reinsurance premiums	(100,267,325)	-	-	-	(100,267,325)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	18,409,088	1,018,432	19,427,520
Changes to amounts recoverable for incurred claims	-	-	(17,199,718)	(1,633,149)	(18,832,867)
Amortisation of insurance acquisition cash flows	12,508,899	-	-	-	12,508,899
Losses on onerous contracts and reversals of those losses - net	-	(61,223)	-	-	(61,223)
Net income or expense from reinsurance contracts held	(87,758,426)	(61,223)	1,209,370	(614,717)	(87,224,996)
Reinsurance finance income	-	-	1,694,000	86,559	1,780,559
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(87,758,426)	(61,223)	2,903,370	(528,158)	(85,444,437)
<i>Cash flows</i>					
Premiums paid	137,188,741	-	-	-	137,188,741
Reinsurance acquisition cash flows	(12,508,899)	-	-	-	(12,508,899)
Amounts received	-	-	(19,007,734)	-	(19,007,734)
Total cash flows	124,679,842	-	(19,007,734)	-	105,672,108
Net reinsurance contract assets as at 31 December	8,981,908	-	27,962,850	1,726,986	38,671,744
Reinsurance contract assets as at 31 December	8,981,908	-	27,962,850	1,726,986	38,671,744
Reinsurance contract liabilities as at 31 December	-	-	-	-	-
Net reinsurance contract assets as at 31 December	8,981,908	-	27,962,850	1,726,986	38,671,744

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.9 Medical

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	-	-	303,544,682	7,092,262	310,636,944
Reinsurance contract liabilities as at 1 January	(246,352,553)	-	-	-	(246,352,553)
Net reinsurance contract liabilities	(246,352,553)	-	303,544,682	7,092,262	64,284,391
An allocation of reinsurance premiums	(707,887,293)	-	-	-	(707,887,293)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	601,731,622	5,239,094	606,970,716
Changes to amounts recoverable for incurred claims	-	-	(23,521,412)	(5,736,440)	(29,257,852)
Amortisation of insurance acquisition cash flows	79,498,808	-	-	-	79,498,808
Losses on onerous contracts and reversals of those losses - net	-	-	-	-	-
Net income or expense from reinsurance contracts held	(628,388,485)	-	578,210,210	(497,346)	(50,675,621)
Reinsurance finance income	-	-	7,299,518	170,551	7,470,069
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(628,388,485)	-	585,509,728	(326,795)	(43,205,552)
Cash flows					
Premiums paid	660,419,003	-	-	-	660,419,003
Reinsurance acquisition cash flows	(79,498,808)	-	-	-	(79,498,808)
Amounts received	-	-	(565,893,513)	-	(565,893,513)
Total cash flows	580,920,195	-	(565,893,513)	-	15,026,682
Net reinsurance contract assets as at 31 December	(293,820,843)	-	323,160,897	6,765,467	36,105,521
Reinsurance contract assets as at 31 December	-	-	323,160,897	6,765,467	329,926,364
Reinsurance contract liabilities as at 31 December	(293,820,843)	-	-	-	(293,820,843)
Net reinsurance contract assets as at 31 December	(293,820,843)	-	323,160,897	6,765,467	36,105,521

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.9 Medical (continued)

2023	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	-	16,181	232,199,174	4,597,792	236,813,147
Reinsurance contract liabilities as at 1 January	(244,371,670)	-	-	-	(244,371,670)
Net reinsurance contract liabilities	(244,371,670)	16,181	232,199,174	4,597,792	(7,558,523)
An allocation of reinsurance premiums	(629,193,954)	-	-	-	(629,193,954)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	609,543,138	6,086,096	615,629,234
Changes to amounts recoverable for incurred claims	-	-	(3,202,280)	(3,720,569)	(6,922,849)
Amortisation of insurance acquisition cash flows	52,814,117	-	-	-	52,814,117
Losses on onerous contracts and reversals of those losses - net	-	(16,181)	-	-	(16,181)
Net income or expense from reinsurance contracts held	(576,379,837)	(16,181)	606,340,858	2,365,527	32,310,367
Reinsurance finance income	-	-	6,511,912	128,943	6,640,855
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(576,379,837)	(16,181)	612,852,770	2,494,470	38,951,222
<i>Cash flows</i>					
Premiums paid	627,213,071	-	-	-	627,213,071
Reinsurance acquisition cash flows	(52,814,117)	-	-	-	(52,814,117)
Amounts received	-	-	(541,507,262)	-	(541,507,262)
Total cash flows	574,398,954	-	(541,507,262)	-	32,891,692
Net reinsurance contract liabilities as at 31 December	(246,352,553)	-	303,544,682	7,092,262	64,284,391
Reinsurance contract assets as at 31 December	-	-	303,544,682	7,092,262	310,636,944
Reinsurance contract liabilities as at 31 December	(246,352,553)	-	-	-	(246,352,553)
Net reinsurance contract assets as at 31 December	(246,352,553)	-	303,544,682	7,092,262	64,284,391

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.10 Life

2024	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
Reinsurance contract assets as at 1 January	-	-	9,169,541	43,263	9,212,804
Reinsurance contract liabilities as at 1 January	(3,361,276)	-	-	-	(3,361,276)
Net reinsurance contract assets	(3,361,276)	-	9,169,541	43,263	5,851,528
An allocation of reinsurance premiums	(14,701,049)	-	-	-	(14,701,049)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	10,623,917	17,569	10,641,486
Changes to amounts recoverable for incurred claims	-	-	(225,641)	(14,490)	(240,131)
Amortisation of insurance acquisition cash flows	2,791,106	-	-	-	2,791,106
Losses on onerous contracts and reversals of those losses – net	-	-	-	-	-
Net income or expense from reinsurance contracts held	(11,909,943)	-	10,398,276	3,079	(1,508,588)
Reinsurance finance income	-	-	279,302	1,317	280,619
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(11,909,943)	-	10,677,578	4,396	(1,227,969)
Cash flows					
Premiums paid	14,994,343	-	-	-	14,994,343
Reinsurance acquisition cash flows	(2,791,106)	-	-	-	(2,791,106)
Amounts received	-	-	(8,493,082)	-	(8,493,082)
Total cash flows	12,203,237	-	(8,493,082)	-	3,710,155
Net reinsurance contract assets as at 31 December	(3,067,982)	-	11,354,037	47,659	8,333,714
Reinsurance contract assets as at 31 December	-	-	11,354,037	47,659	11,401,696
Reinsurance contract liabilities as at 31 December	(3,067,982)	-	-	-	(3,067,982)
Net reinsurance contract assets as at 31 December	(3,067,982)	-	11,354,037	47,659	8,333,714

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

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)

9.10 Life (continued)

	Assets for remaining coverage		Amounts recoverable on incurred claims		Total AED
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
2023					
Reinsurance contract assets as at 1 January	-	991,806	12,841,676	51,883	13,885,365
Reinsurance contract liabilities as at 1 January	(1,697,316)	-	-	-	(1,697,316)
Net reinsurance contract assets	(1,697,316)	991,806	12,841,676	51,883	12,188,049
An allocation of reinsurance premiums	(10,784,519)	-	-	-	(10,784,519)
Amounts recoverable from reinsurers for incurred claims					
Amounts recoverable for incurred claims and other expenses	-	-	7,690,774	14,984	7,705,758
Changes to amounts recoverable for incurred claims	-	-	(4,322,711)	(25,116)	(4,347,827)
Amortisation of insurance acquisition cash flows	2,345,946	-	-	-	2,345,946
Losses on onerous contracts and reversals of those losses - net	-	(991,806)	-	-	(991,806)
Net income or expense from reinsurance contracts held	(8,438,573)	(991,806)	3,368,063	(10,132)	(6,072,448)
Reinsurance finance income	-	-	374,569	1,512	376,081
Effect of changes in non-performance risk of reinsurers	-	-	-	-	-
Total changes in the statement of profit or loss	(8,438,573)	(991,806)	3,742,632	(8,620)	(5,696,367)
<i>Cash flows</i>					
Premiums paid	9,120,559	-	-	-	9,120,559
Reinsurance acquisition cash flows	(2,345,946)	-	-	-	(2,345,946)
Amounts received	-	-	(7,414,767)	-	(7,414,767)
Total cash flows	6,774,613	-	(7,414,767)	-	(640,154)
Net reinsurance contract assets as at 31 December	(3,361,276)	-	9,169,541	43,263	5,851,528
Reinsurance contract assets as at 31 December	-	-	9,169,541	43,263	9,212,804
Reinsurance contract liabilities as at 31 December	(3,361,276)	-	-	-	(3,361,276)
Net reinsurance contract assets as at 31 December	(3,361,276)	-	9,169,541	43,263	5,851,528

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

9. Insurance and reinsurance contracts (continued)

In addition to scenario testing, the development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Group's estimate of liability for incurred claims for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the consolidated statement of financial position. The following tables illustrate the Group's estimate of total liability for incurred claims for the years up to 2024.

Gross Insurance contract liabilities at 31 December 2024

	2018 and prior AED	2019 AED	2020 AED	2021 AED	2022 AED	2023 AED	2024 AED	Total AED
At the end of each reporting year								
One year later	-	739,736,964	666,481,817	750,668,028	903,177,754	1,106,504,049	1,289,679,861	5,456,248,473
Two years later	-	712,914,545	636,827,477	777,802,856	901,152,952	1,100,283,911	-	4,128,981,741
Three years later	-	711,631,865	679,508,367	769,465,014	909,596,162	-	-	3,070,201,408
Four years later	-	721,116,688	647,798,338	767,543,972	-	-	-	2,136,458,998
Five years later	-	718,080,039	649,578,115	-	-	-	-	1,367,658,154
	-	724,435,239	-	-	-	-	-	724,435,239
Estimate of cumulative claims	942,328,569	724,435,239	649,578,115	767,543,972	909,596,162	1,100,283,911	1,289,679,861	6,383,445,829
Cumulative payments to date	(897,387,281)	(721,600,320)	(646,671,660)	(758,252,447)	(870,374,816)	(1,009,801,088)	(769,138,068)	(5,673,225,680)
	44,941,288	2,834,919	2,906,455	9,291,525	39,221,346	90,482,823	520,541,793	710,220,149
Unallocated loss adjustment expense reserve								8,067,782
Claims payable								143,955,254
Total gross undiscounted liabilities for incurred claims								862,243,185
Attributable expenses								85,895,661
Effect of discounting								(26,215,303)
Total discounted gross reserves included in the consolidated statement of financial position								921,923,543
Risk adjustments								23,268,256
Total gross liabilities for incurred claims								945,191,799

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

10. Other receivables

	2024 AED	2023 AED
Staff receivables	3,393,984	3,421,499
Rent receivables	23,697,192	21,887,258
Prepayments and others	15,541,226	12,899,968
	<u>42,632,402</u>	<u>38,208,725</u>

11. Bank balances and cash

	2024 AED	2023 AED
Cash on hand	221,284	106,100
Bank balances:		
Current accounts	105,497,314	56,218,276
Call accounts	1,031,821	1,627,854
Margin deposits	1,087,390	1,089,390
Fixed deposits	316,447,330	256,689,378
Bank balances and cash	<u>424,285,139</u>	<u>315,730,998</u>
Less: Deposits under lien (Note 15)	(276,447,330)	(198,882,934)
Less: Deposits with original maturity of more than three months	(40,000,000)	(42,806,444)
Less: Margin deposits	(1,087,390)	(1,089,390)
Cash and cash equivalents	<u>106,750,419</u>	<u>72,952,230</u>

The interest rate on fixed deposits with banks ranges from 3.89% to 5.75% (2023: 3% to 5.80%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

12. Share capital

	2024 AED	2023 AED
Authorised, issued and fully paid:		
250 million ordinary shares of AED 1 each		
(2023: 250 million ordinary shares of AED 1 each)	<u>250,000,000</u>	<u>250,000,000</u>

13. Reserves

13.1 Statutory reserve

In accordance with UAE Federal Decree Law No. (32) of 2021, the Parent Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. No transfer was made during the year (2023: AED nil).

13.2 Voluntary reserve

The voluntary reserve is established through transfers from profit for the year as recommended by the Board of Directors in accordance with Articles of Association. During the year, the Board of Directors approved the transfer of AED 100,000,000 from the voluntary reserve to the accumulated losses. This decision was aimed at decreasing the ratio of accumulated losses to the Company's share capital. The reallocation from the voluntary reserve was executed with the Group's best interests in mind.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

13. Reserves (continued)

13.3 Reinsurance reserve

In accordance with Insurance Companies register of the Central Bank of the U.A.E. ("CBUAE") Board of Directors' Decision No. 23 Article 34, an amount of AED 4,607,833 (2023: AED 4,076,657) was transferred from accumulated losses to reinsurance reserve. The reserve is not available for distribution and will not be disposed of without prior approval from Central Bank of the U.A.E. ("CBUAE").

14. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2024 AED	2023 AED
Balance at the beginning of the year	43,118,479	41,822,684
Amounts charged during the year	5,142,269	2,439,778
Amounts paid during the year	(1,475,998)	(1,143,983)
	<u>46,784,750</u>	<u>43,118,479</u>

15. Bank borrowings

	2024 AED	2023 AED
Bank overdrafts	125,475,926	120,232,272
Term loans	174,599,267	158,750,666
	<u>300,075,193</u>	<u>278,982,938</u>

The bank borrowings are repayable as follows:

On demand or within one year	213,409,193	181,103,738
In the second year	61,718,000	11,214,000
In the third and subsequent years	24,948,000	86,665,200
	<u>300,075,193</u>	<u>278,982,938</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(213,409,193)</u>	<u>(181,103,738)</u>
Amount due for settlement after 12 months (shown under non-current liabilities)	<u>86,666,000</u>	<u>97,879,200</u>

Bank overdrafts are repayable on demand and carry out interest rates ranging from CSAF plus 0.5% to 2.5% plus 3 months EIBOR (2023: 0.5% to 2.5% plus 3 months EIBOR) per annum.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

15. Bank borrowings (continued)

The term loans description, maturity dates, and classification are set in the table below:

	Notes	Maturity	2024 AED	2023 AED
Loan 1	(i)	31 October 2025	8,333,333	18,333,333
Loan 2	(ii)	2 February 2028	15,832,600	20,833,000
Loan 3	(iii)	30 June 2028	47,880,000	57,960,000
Loan 4	(vi)	31 December 2026	50,000,000	50,000,000
Loan 5	(v)	28 February 2025	1,333,333	9,333,333
Loan 6	(vi)	2 February 2024	-	416,000
Loan 7	(vii)	8 March 2024	-	1,875,000
Loan 8	(viii)	31 May 2025	7,766,667	-
Loan 9	(ix)	31 July 2025	29,353,334	-
Loan 10	(x)	30 September 2025	5,100,000	-
Loan 11	(xi)	31 October 2025	9,000,000	-
			<u>174,599,267</u>	<u>158,750,666</u>

Main features of bank borrowings:

- Bank loans are obtained to finance the construction of investment properties and to meet its operating capital requirements.
 - Bank overdraft is payable on demand.
- (i) Bank loan for the amount of AED 75,000,000 was obtained in November 2017 to be repaid on monthly instalments of AED 833,333 commencing from May 2018 till October 2025 with interest rate 2.75% plus 1-month EIBOR.
- (ii) Bank loan for the amount of AED 50,000,000 was obtained in May 2017, AED 25,000,000 is to be repaid on monthly instalments of AED 694,444 commencing from January 2020 till December 2021, whereas remaining balance is to be repaid in two installment of AED 12,500,000 each on May 2023 & May 2024. On February 2023 the loan was restructured amounting to AED 25,000,000 and is to be repaid in 59 monthly instalments of AED 416,700 and the remaining balance of AED 414,700 is to be repaid on February 2028 which bears interest rate of 2.5% plus 3-month EIBOR.
- (iii) Bank loan for the amount of AED 63,000,000 was obtained in July 2023. An amount of AED 15,120,000 is to be repaid on eighteen monthly instalments of AED 840,000 commencing from July 2023, AED 11,214,000 is to be repaid on twelve monthly instalments of AED 934,500 commencing from January 2025, AED 11,718,000 is to be repaid on twelve monthly instalments of AED 976,500 commencing from January 2026, AED 12,726,000 is to be repaid on twelve monthly instalments of AED 1,060,500 commencing from January 2027, AED 6,300,000 is to be repaid on three monthly instalments of AED 2,100,000 commencing from January 2028, whereas the remaining balance of AED 5,922,000 is to be repaid on three monthly instalments of AED 1,974,000 commencing from April 2028 and bears interest rate of 2.35% plus 3 month EIBOR.
- (iv) Bank loan for the amount of AED 50,000,000 was obtained in December 2023 to be repaid in one bullet payment in December 2026 and bears interest rate of 0.65% plus fixed deposit rate (5.80%).
- (v) Bank loan for the amount of AED 10,000,000 was obtained in November 2023 to be repaid on monthly instalments of AED 666,667 commencing from December 2023 till February 2025 with interest rate 2.75% plus 1-month EIBOR.
- (vi) Bank loan for the amount of AED 2,500,000 was obtained in February 2023. AED 2,292,400 is to be repaid on monthly instalments of AED 208,400 commencing from March 2023 till January 2024 and the remaining balance of AED 207,600 is to be repaid on February 2024 which bears interest rate of 2.5% plus 3-month EIBOR.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

15. Bank borrowings (continued)

- (vii) Bank loan for the amount of AED 7,500,000 was obtained in March 2023 to be repaid on monthly instalments of AED 625,000 commencing from April 2023 till March 2024 with interest rate 2.5% plus 3-month EIBOR.
- (viii) Bank loan for the amount of AED 23,300,000 was obtained in February 2024 to be repaid on monthly instalments of AED 1,553,333 commencing from March 2024 till May 2025 with interest rate 2.75% plus 1-month EIBOR.
- (ix) Bank loan for the amount of AED 62,900,000 was obtained in April 2024 to be repaid on monthly instalments of AED 4,193,333 commencing from May 2024 till July 2025 with interest rate 2.75% plus 1-month EIBOR.
- (x) Bank loan for the amount of AED 8,500,000 was obtained in June 2024 to be repaid on monthly instalments of AED 566,667 commencing from July 2024 till September 2025 with interest rate 2.75% plus 1-month EIBOR.
- (xi) Bank loan for the amount of AED 13,500,000 was obtained in July 2024 to be repaid on monthly instalments of AED 900,000 commencing from August 2024 till October 2025 with interest rate 2.75% plus 1-month EIBOR.

At 31 December 2024, bank borrowings were secured by lien on fixed deposits amounting to AED 276.4 million (2023: AED 198.8 million) (Note 11), mortgage of investment properties with fair value of AED 849 million (2023: AED 847.8 million) and assignment of rental proceeds from certain investment properties (Note 6).

Borrowing agreements included financial covenants, of which some of them were breached during the year. Hence, the loan has been reclassified from non-current to current portion accordingly.

Classification of bank borrowings between current and non current is as follows:

	2024 AED	2023 AED
Current portion	213,409,193	181,103,738
Non-current portion	86,666,000	97,879,200
	<u>300,075,193</u>	<u>278,982,938</u>

16. Lease Liabilities

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

	2024 AED	2023 AED
Current	2,072,832	4,435,857
Non-current	1,158,861	2,444,541
	<u>3,231,693</u>	<u>6,880,398</u>

The Group has leases for the offices all in UAE. Each lease is reflected on the consolidated statement of balance position as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property and equipment (Note 5).

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

16. Lease Liabilities (continued)

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	19	2 to 3 years	2 years	19	19

The movement in lease liabilities during the year was as follows:

	2024 AED	2023 AED
Balance at January 1,	6,880,398	9,281,797
Additions / remeasurement	1,489,801	2,841,817
Termination	(923,025)	(803,807)
Interest charge during the year	206,412	372,384
Payment of lease liabilities during the year	(4,421,893)	(4,811,793)
Balance at December 31,	<u>3,231,693</u>	<u>6,880,398</u>

The incremental borrowing rate used for lease liabilities is 4% (2023: 4%). Future minimum lease payments at December 31, 2024 were as follows:

	Minimum lease payments due		
	Within 1 year AED	1-3 year AED	Total AED
December 31, 2024			
Lease payments	2,163,498	1,197,020	3,360,518
Finance charges	(90,666)	(38,159)	(128,825)
Net present value	<u>2,072,832</u>	<u>1,158,861</u>	<u>3,231,693</u>
December 31, 2023			
Lease payments	4,630,335	2,498,117	7,128,452
Finance charges	(194,478)	(53,576)	(248,054)
Net present value	<u>4,435,857</u>	<u>2,444,541</u>	<u>6,880,398</u>

17. Other payables

	2024 AED	2023 AED
Rent received in advance	19,295,394	13,728,274
Accrued expenses and other payables	17,735,196	18,498,245
Due to employees	18,257,426	15,668,588
	<u>55,288,016</u>	<u>47,895,107</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

18. Investment and other income

	2024 AED	2023 AED
Interest income on deposits	15,786,662	12,308,056
Dividend from investments	2,989,308	3,324,127
Change in fair value of investment properties (Note 6)	(3,000,000)	2,741,344
Income from investment properties (Note 6)	30,064,522	24,192,089
Gain on cancellation of lease	36,123	56,021
Other income	36,276	139,308
	<u>45,912,891</u>	<u>42,760,945</u>

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

19. Insurance revenue

2024 Contract measured under PAA

Insurance contract issued

Motor AED	Marine AED	FGA AED	Medical AED	Life AED	Total AED
240,057,394	31,567,709	142,835,988	1,019,550,375	14,890,925	1,448,902,391

2023

Contract measured under PAA

Insurance contract issued

197,355,225	32,431,377	109,684,765	838,441,302	12,729,192	1,190,641,861
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20. Insurance service expense

2024

Contract measured under PAA

Incurred claims and other expenses

Changes to liabilities for incurred claims

Amortization of insurance acquisition cash flows

Motor AED	Marine AED	FGA AED	Medical AED	Life AED	Total AED
395,589,279	38,698,529	109,006,308	917,106,561	13,536,821	1,473,937,498
(46,966,366)	5,670,946	(13,327,260)	(8,052,552)	(1,037,163)	(63,712,395)
21,975,129	2,285,739	3,600,869	30,932,501	709,489	59,503,727
370,598,042	46,655,214	99,279,917	939,986,510	13,209,147	1,469,728,830

2023

Contract measured under PAA

Incurred claims and other expenses

Changes to liabilities for incurred claims

Amortization of insurance acquisition cash flows

Losses on onerous contracts and reversals of those losses - net

303,359,066	33,052,814	48,496,283	866,649,306	10,822,278	1,262,379,747
(14,559,803)	(24,554,943)	(36,078,742)	(21,192,839)	(6,576,805)	(102,963,132)
22,599,622	3,035,146	3,393,341	19,827,734	444,461	49,300,304
(11,986,141)	(32,102)	(315,288)	(18,567)	(22,192)	(12,374,290)
299,412,744	11,500,915	15,495,594	865,265,634	4,667,742	1,196,342,629

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

21.	Net (expense)/ income from reinsurance contracts held	Motor AED	Marine AED	FGA AED	Medical AED	Life AED	Total AED
2024							
Allocation of reinsurance premiums		(43,641,078)	(17,159,030)	(137,213,053)	(707,887,293)	(14,701,049)	(920,601,503)
Amounts recoverable from reinsurance for incurred claims							
Amounts recoverable for incurred claims		92,446,469	16,109,830	76,584,167	606,970,716	10,641,486	802,752,668
Changes to amounts recoverable for incurred claims		7,206,894	4,301,207	(5,447,505)	(29,257,852)	(240,131)	(23,437,387)
Amortization of insurance acquisition cash flows		16,502,041	4,121,099	16,974,695	79,498,808	2,791,106	119,887,749
		116,155,404	24,532,136	88,111,357	657,211,672	13,192,461	899,203,030
Net (expense)/ income from reinsurance contracts held		72,514,326	7,373,106	(49,101,696)	(50,675,621)	(1,508,588)	(21,398,473)
2023							
Allocation of reinsurance premiums		(81,892,267)	(18,924,063)	(100,267,325)	(629,193,954)	(10,784,519)	(841,062,128)
Amounts recoverable from reinsurance for incurred claims							
Amounts recoverable for incurred claims		64,114,363	5,979,020	19,427,520	615,629,234	7,705,758	712,855,895
Changes to amounts recoverable for incurred claims		7,836,740	(7,489,882)	(18,832,867)	(6,922,849)	(4,347,827)	(29,756,685)
Amortization of insurance acquisition cash flows		(38,580,444)	2,815,477	12,508,899	52,814,117	2,345,946	31,903,995
Losses on onerous contracts and reversals of those losses - net		(6,745,506)	(4,738)	(61,223)	(16,181)	(991,806)	(7,819,454)
		26,625,153	1,299,877	13,042,329	661,504,321	4,712,071	707,183,751
Net (expense)/income from reinsurance contracts held		(55,267,114)	(17,624,186)	(87,224,996)	32,310,367	(6,072,448)	(133,878,377)

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

22.	Net insurance financial result	Motor AED	Marine AED	FGA AED	Medical AED	Life AED	Total AED
2024							
	Insurance finance expenses from insurance contracts issued	(6,216,332)	(1,167,263)	(1,760,501)	(10,559,287)	(432,932)	(20,136,315)
	Reinsurance finance income from reinsurance contracts held	1,144,892	671,762	965,597	7,470,069	280,619	10,532,939
2023							
	Insurance finance expense from insurance contracts issued	(8,150,910)	(1,350,369)	(2,717,748)	(10,046,445)	(477,993)	(22,743,465)
	Reinsurance finance income from reinsurance contracts held	2,769,459	1,278,711	1,780,559	6,640,855	376,081	12,845,665

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

23. General and administrative expenses

Loss for the year has been arrived at after charging the following expenses:

	2024 AED	2023 AED
Staff costs	44,589,074	37,599,792
Government and regulatory fees	8,958,377	7,120,829
Professional fees	9,266,005	7,890,782
Depreciation of property and equipment (note 5)	4,663,722	4,990,052
Insurance	5,931,030	4,226,644
Communication, transportation and utilities	2,523,512	2,690,870
Bank charges	3,920,781	1,759,274
Director's Remuneration* (note 32)	3,600,000	1,800,000
Repairs and maintenance	363,228	147,373
Other expenses	7,950,275	6,798,864
	<u>91,766,004</u>	<u>75,024,480</u>

General and administrative expenses amounting to AED 85,895,658 (2023: AED 68,232,158) is allocated to the underwriting activities, excluding the director's remuneration and management expenses, which is fully unallocated. Unallocated portion is amounting to AED 5,870,346 (2023: AED 6,792,322).

*Throughout the year, Board of Directors' remuneration amounting to AED 1.8 million for the year ending 31 December 2024 has been proposed for approval at the Annual General Assembly. In doing so, management has considered the stipulations of the Federal Law No. (32) of 2021 regarding remuneration limits in case of losses. However, as the Group used to record the annual BOD's remuneration subsequent to the year-end, once it has been approved by the shareholders, the remuneration related to the year ended 31 December 2023 of AED 1.8 million has also been recorded within the current fiscal year resulting in a duplication of the expenses. Management believes that the impact of 2023 remuneration is not significant to the consolidated financial statements of the Group.

24. Basic and diluted loss per share

	2024	2023
Loss for the year after tax (in AED)	<u>(36,927,232)</u>	<u>(132,762,469)</u>
Number of outstanding shares	<u>250,000,000</u>	<u>250,000,000</u>
Basic and diluted loss per share after tax (in AED)	<u>(0.15)</u>	<u>(0.53)</u>

Basic loss per share after tax has been calculated by dividing the loss for the year after tax by the number of shares outstanding at the end of the reporting period. Diluted loss per share after tax as of 31 December 2024 and 31 December 2023 are equivalent to basic loss per share after tax as the Group did not issue any new instrument that would impact earnings per share after tax when executed.

25. Related party transactions

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

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

	2024 AED	2023 AED
Board members and entities under common control		
Due from policyholders	5,892,532	6,551,395
Gross outstanding claims	<u>764,949</u>	<u>418,763</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 year for bad or doubtful debts in respect of the amounts owed by related parties.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

25. Related party transactions (continued)

Transactions:

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

	2024 AED	2023 AED
Board members and entities under common control		
Gross premiums (part of insurance revenue)	5,913,032	5,195,331
Claims paid (part of insurance service expenses)	<u>7,861,488</u>	<u>4,511,245</u>

Compensation of board of directors/key management personnel

	2024 AED	2023 AED
Short-term benefits	5,169,984	4,547,784
Long-term benefits	360,330	305,950
Board of directors' remuneration	<u>1,800,000</u>	<u>1,800,000</u>

* In addition, the General Manager is also provided with accommodation.

26. Contingencies and commitments

Contingencies

Legal proceedings

The Group is involved in various legal proceedings and claims arising in the ordinary course of business. While the outcome of these matters cannot be predicted with certainty, management does not believe that these matters will have a material adverse effect on the Group's consolidated financial statements if settled unfavorably.

	2024 AED	2023 AED
Commitments		
Letters of guarantee	<u>111,663,190</u>	<u>118,963,721</u>

27. Insurance risk

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

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

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

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

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

27. Insurance risk (continued)

27.1 Frequency and severity of claims

The Group has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation).

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Group operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Group should not suffer net insurance losses of a set limit defined in each arrangement for each policy. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

The following tables disclose the concentration of insurance liabilities by line of business. The amounts are the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from the insurance contracts:

	2024		
	Gross AED	Reinsurance AED	Net AED
Motor	19,423,629	(57,075,325)	(37,651,696)
Marine	82,355,884	(48,810,684)	33,545,200
FGA	36,305,345	(48,947,956)	(12,642,611)
Medical	582,245,224	(36,105,521)	546,139,703
Life	10,661,045	(8,333,714)	2,327,331
	730,991,127	(199,273,200)	531,717,927
	2023		
	Gross AED	Reinsurance AED	Net AED
Motor	279,544	26,329,592	26,609,136
Marine	62,792,702	(30,943,273)	31,849,429
FGA	(12,462,413)	(38,671,744)	(51,134,157)
Medical	466,560,195	(64,284,391)	402,275,804
Life	8,051,878	(5,851,528)	2,200,350
	525,221,906	(113,421,344)	411,800,562

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

27. Insurance risk (continued)

27.2 Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Group has involved external actuarial values as well. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the reporting date.

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

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) are analyzed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk	2024		2023	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Motor	136%	116%	125%	149%
Marine	67%	132%	11%	51%
FGA	79%	313%	8%	59%
Medical	86%	94%	98%	101%
Life	80%	644%	32%	22%

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

27. Insurance risk (continued)

27.2 Sources of uncertainty in the estimation of future claim payments (continued)

A hypothetical 1% change in the loss ratio, net of reinsurance, would impact insurance service result as follows:

	2024 AED	2023 AED
Impact of change in loss ratio by +/- 1%		
Motor	2,260,112	1,847,765
Marine	189,820	64,296
FGA	168,225	51,192
Medical	2,924,376	2,106,871
Life	12,186	2,926

27.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

27.4 Concentration of insurance risk

Substantially all of the Group's underwriting activities are carried out in the United Arab Emirates.

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

However, the Group decided to waive the reinsurance quota share treaty in motor among others for the current year because of very less margin remains after actual loss ratio evident in last couple of years.

To minimise its exposure to significant losses from reinsurer insolvencies, the Group evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Group from its obligations to policyholders. The Group remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

27.5 Sensitivity of underwriting profit and losses

The contribution by the insurance operations is a loss of AED 42.2 million for the year ended 31 December 2024 (2023: loss of AED 139.5 million). The Group expects to increase the contribution by insurance operations to the profitability due to the reasons mentioned below.

The Group has an overall retention level of 40% (2023: 33%) and the same is mainly contributed by motor and medical class of business. The Group tries to arrange appropriate excess of loss reinsurance cover to guard against major financial impact.

The Group earns a gross commission income of AED 119.9 million (2023: AED 31.9 million). These commissions arise primarily from the reinsurance placements and are a recurring source of income.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

27. Insurance risk (continued)

Sensitivity

The liability for incurred claims is sensitive to the key assumptions in the table below. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following sensitivity analysis shows the impact on gross and net liabilities, net profit and equity for reasonably possible movements in key assumptions with all other assumptions held constant.

The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

	Change in assumptions	Impact on net profit gross of reinsurance AED	Impact on net profit net of reinsurance AED	Impact on equity gross of reinsurance AED	Impact on equity net of reinsurance AED
2024					
Liability for Incurred claims	+10%	(83,616,940)	(34,153,257)	(83,616,940)	(34,153,257)
Risk adjustment	+10%	(2,326,857)	(831,661)	(2,326,857)	(831,661)
Discount rate	+1%	4,679,482	2,280,079	4,679,482	2,280,079
Liability for Incurred claims	-10%	83,591,209	34,280,726	83,591,209	34,280,726
Risk adjustment	-10%	2,326,857	831,661	2,326,857	831,661
Discount rate	-1%	(4,796,456)	(2,329,973)	(4,796,456)	(2,329,973)
2023					
Liability for Incurred claims	+10%	(66,085,330)	(26,291,424)	(66,085,330)	(26,291,424)
Risk adjustment	+10%	1,927,118	682,157	1,927,118	682,157
Discount rate	+1%	3,450,699	1,535,645	3,450,699	1,535,645
Liability for Incurred claims	-10%	66,068,943	26,275,037	66,068,943	26,275,037
Risk adjustment	-10%	(1,927,118)	(682,157)	(1,927,118)	(682,157)
Discount rate	-1%	(3,530,120)	(1,783,465)	(3,530,120)	(1,783,465)

28. Capital risk management

The Group's objectives when managing capital, which the Group considers to be the equity as shown in the consolidated statement of financial position, are:

- to comply with the insurance capital requirements required by UAE Federal Law No. (48) of 2023, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations;
- to protect its policyholders' interests;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., Insurance Companies register of the Central Bank of the U.A.E. ("CBUAE") specifies the minimum amount and type of capital that must be held by the Group in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

28. Capital risk management (continued)

The table below summarises the minimum required capital of the Group and the total capital held.

	2024 AED	2023 AED
Total capital held	250,000,000	250,000,000
Minimum regulatory capital	100,000,000	100,000,000

The Insurance Companies register of the Central Bank of the U.A.E. ("CBUAE") has issued resolution No. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for reinsurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies.

The table below summarises the minimum required capital of the Group and the total capital held:

	2024 AED	2023 AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	306,677,859	296,743,776
Minimum Guarantee Fund (MGF)	151,345,709	101,603,494
Basic Own Funds	100,000,000	100,000,000
Ancillary Own Funds	40,937,121	63,769,523
MCR Solvency Margin – Surplus	-	-
SCR Solvency Margin – (Deficit)	(186,209,299)	(164,859,015)
MGF Solvency Margin - (Deficit)/ surplus	(30,877,149)	30,281,268

As of 31 December 2024, the Group has a deficit in the Solvency Margin Requirements and Minimum Guarantee Fund Requirements as stipulated by the Central Bank of the U.A.E. by an amount of AED 186,209,299 and AED 30,877,149 respectively. The Group's ability to comply with the solvency requirements depends on implementing an effective business plan.

28.1 Gearing ratio

The Group reviews the capital structure on a semi-annual basis. As part of this review, the Group considers the cost of capital, and the risks associated with capital.

The gearing ratio at the year-end was as follows:

	2024 AED	2023 AED
Debt (i)	300,075,193	278,982,938
Bank balances and cash (ii)	(434,285,139)	(325,730,998)
	<u>(134,209,946)</u>	<u>(46,748,060)</u>
Equity (iii)	456,471,240	496,551,620
Net debt to equity ratio	<u>(0.29)</u>	<u>(0.09)</u>
Gross debt to equity ratio	<u>0.66</u>	<u>0.56</u>

(i) Debt is defined as bank borrowings (note 15).

(ii) Bank balances and cash includes statutory deposit (note 8 & 11).

(iii) Equity comprises of capital, reserves, cumulative changes in fair value and (accumulated losses)/ retained earnings.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

29. Financial instruments

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

29.1 Material accounting policies

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the consolidated financial statements.

29.2 Categories of financial instruments

31 December 2024

	Amortised cost AED	FVTOCI AED	Total AED
Financial assets			
Financial assets carried at FVTOCI	-	56,414,041	56,414,041
Statutory deposits	10,000,000	-	10,000,000
Other receivables (excluding prepayments)	23,697,192	-	23,697,192
Cash at banks	424,063,855	-	424,063,855
Total financial assets	457,761,047	56,414,041	514,175,088

	At amortised cost AED
Financial liabilities	
Bank borrowings	300,075,193
Other payables	35,992,622
Total financial liabilities	336,067,815

31 December 2023

	Amortised cost AED	FVTOCI AED	Total AED
Financial assets			
Financial assets carried at FVTOCI	-	59,567,189	59,567,189
Statutory deposits	10,000,000	-	10,000,000
Other receivables	21,887,258	-	21,887,258
Cash at banks	315,624,898	-	315,624,898
Total financial assets	347,512,156	59,567,189	407,079,345

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

29. Financial instruments (continued)

29.2 Categories of financial instruments (continued)

	At amortised cost AED
Financial liabilities	
Bank borrowings	278,982,938
Other payables	34,166,833
Total financial liabilities	<u>313,149,771</u>

29.3 Fair value measurements

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.

29.3.1 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 consolidated financial statements approximate their fair values.

29.3.2 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 annual consolidated financial statements for the year ended 31 December 2023.

29.3.3 Fair value measurements recognised in the consolidated statement of financial position

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		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2024 AED	31 December 2023 AED				
Quoted equity securities	52,935,943	56,089,091	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	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>56,414,041</u>	<u>59,567,189</u>				

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

29. Financial instruments (continued)

29.3 Fair value measurements (continued)

29.3.3 Fair value measurements recognised in the consolidated statement of financial position (continued)

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).

31 December 2024

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	52,935,943	-	-	52,935,943
Unquoted equities	-	-	3,478,098	3,478,098
Investment properties	-	-	849,055,989	849,055,989
	<u>52,935,943</u>	<u>-</u>	<u>852,534,087</u>	<u>905,470,030</u>

31 December 2023

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets at FVTOCI				
Quoted equities	56,089,091	-	-	56,089,091
Unquoted equities	-	-	3,478,098	3,478,098
Investment properties	-	-	847,850,000	847,850,000
	<u>56,089,091</u>	<u>-</u>	<u>851,328,098</u>	<u>907,417,189</u>

Reconciliation of FVTOCI investments, movements in level 3 for assets measured at fair value:

	Opening balance AED	Additions/ Disposal AED	Change in fair value AED	Closing balance AED
31 December 2024				
Investment properties	847,850,000	4,205,989	(3,000,000)	849,055,989
<i>Financial assets at FVTOCI</i>				
Unquoted equities	<u>3,478,098</u>	<u>-</u>	<u>-</u>	<u>3,478,098</u>
31 December 2023				
Investment properties	842,562,500	2,546,156	2,741,344	847,850,000
<i>Financial assets at FVTOCI</i>				
Unquoted equities	<u>3,478,098</u>	<u>-</u>	<u>-</u>	<u>3,478,098</u>

There were no transfers between the levels during the year.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

29. Financial instruments (continued)

29.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

29.5 Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is pegged.

29.6 Credit risk

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

The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group'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.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group 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 Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. 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 Group.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

For insurance receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group 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 and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 3.14 include further details on the expected credit loss for these assets respectively.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

29. Financial instruments (continued)

29.6 Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	2024 AED	2023 AED
Financial assets carried at FVTOCI	56,414,041	59,567,189
Statutory deposits	10,000,000	10,000,000
Reinsurance contract assets	522,194,793	422,203,950
Insurance contract assets	-	12,462,413
Other receivables	23,697,192	21,887,258
Cash at banks	424,063,855	315,624,898
Total credit risk exposure	1,036,369,881	841,745,708

At the end of the reporting year, the Group's maximum exposure to credit risk, from insurance receivables situated outside the U.A.E. were as follows:

	2024 AED	2023 AED
Inside UAE	440,904,438	379,616,818
Outside UAE	45,589,623	16,482,577

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The table below presents an analysis of bank balances and fixed deposits by rating agency designation at the end of the reporting year based on Moody's rating or its equivalent for the main banking relationship:

	2024 AED	2023 AED
A	99,398,452	64,521,941
BBB	324,643,972	251,081,526
Unrated	21,431	21,431
	424,063,855	315,624,898

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

29. Financial instruments (continued)

29.7 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

The table below summarizes the maturity profile of the Group's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Within 1 year AED	1 year to 5 years AED	More than 5 years AED	Total AED
31 December 2024				
Financial assets				
Financial assets carried at FVTOCI	-	56,414,041	-	56,414,041
Statutory deposits	-	-	10,000,000	10,000,000
Cash at banks	424,063,855	-	-	424,063,855
Other receivables	23,697,192	-	-	23,697,192
	<u>447,761,047</u>	<u>56,414,041</u>	<u>10,000,000</u>	<u>514,175,088</u>
Financial liabilities				
Bank borrowings	213,409,193	86,666,000	-	300,075,193
Other payables	35,992,622	-	-	35,992,622
	<u>249,401,815</u>	<u>86,666,000</u>	<u>-</u>	<u>336,067,815</u>
31 December 2023				
Financial assets				
Financial assets carried at FVTOCI	-	59,567,189	-	59,567,189
Statutory deposits	-	-	10,000,000	10,000,000
Cash at banks	315,624,898	-	-	315,624,898
Other receivables	21,887,258	-	-	21,887,258
	<u>337,512,156</u>	<u>59,567,189</u>	<u>10,000,000</u>	<u>407,079,345</u>
Financial liabilities				
Bank borrowings	181,103,738	97,879,200	-	278,982,938
Other payables	34,166,833	-	-	34,166,833
	<u>215,270,571</u>	<u>97,879,200</u>	<u>-</u>	<u>313,149,771</u>

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

29. Financial instruments (continued)

29.8 Interest risk

The Group's exposure to interest rate risk relates to its bank deposits and bank borrowings. During the year, bank deposits carried interest at the range of 3.89% to 5.75% per annum (2023: 3% to 5.80% per annum). Bank loans carried an interest rate in the range from CSAF plus 0.5% to 2.5% plus 3 months EIBOR per annum (2023: 0.5% to 2.5% to plus three months EIBOR per annum).

If interest rates had been 50 basis points lower throughout the year and all other variables were held constant, the Group's loss for the year ended 31 December 2024 and equity as at 31 December 2024 would increase by AED 1,489,780 (2023: increase by AED 1,381,329).

The Group generally tries 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 Group is exposed to interest rate risk on:

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

29.9 Equity price risk

29.9.1 Sensitivity analysis

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income and equity would have increased/decreased by AED 5.6 million (2023: AED 5.9 million).

29.9.2 Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk at the reporting date.
- At the end of the reporting period, if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on consolidated statement of profit or loss and equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

30. Segment information

The Group is organized into three business segments: general insurance, life assurance and investments. The general insurance segment incorporates all classes of general insurance including fire, marine, medical, motor, general accident and other classes of insurance. The life assurance segment includes group life insurance.

Investments segment includes investments in equity securities, investment properties and statutory deposit.

These segments are the basis on which the Group reports its primary segment information to the Chief Operating decision maker. Insurance premium represents the total income arising from insurance contracts. There are no transactions between the business segments.

a) *Segment consolidated statement of financial position is as follows:*

	2024			2023		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets						
Unallocated assets	522,194,793	1,245,614,552	1,767,809,345	434,666,363	1,185,993,825	1,620,660,188
Total	522,194,793	1,245,614,552	1,915,763,612	434,666,363	1,185,993,825	1,719,895,467
Segment liabilities						
Unallocated liabilities	1,053,912,720	193,894,661	1,247,807,381	846,466,925	172,478,941	1,018,945,866
Total	1,053,912,720	193,894,661	1,459,292,372	846,466,925	172,478,941	1,223,343,847

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

Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

30. Segment information (continued)

b) Segment consolidated statement of profit or loss is as follows:

2024

	Underwriting					Investments	Total
	Motor AED	Marine AED	FGA AED	Medical AED	Life AED		
Insurance revenue	240,057,394	31,567,709	142,835,988	1,019,550,375	14,890,925		1,448,902,391
Insurance service expenses	(370,598,042)	(46,655,214)	(99,279,917)	(939,986,510)	(13,209,147)		(1,469,728,830)
Net income from reinsurance contracts held	72,514,326	7,373,406	(49,401,696)	(50,675,621)	(1,508,588)		(21,398,473)
Net insurance financial result	(5,071,440)	(495,501)	(794,904)	(3,089,218)	(152,313)		(9,603,376)
Segment result	(63,097,762)	(8,209,900)	(6,340,529)	25,799,026	20,877	45,912,891	(5,915,397)
Unallocated costs							(31,011,835)
Loss for the year before tax							(36,927,232)

2023

	Underwriting					Investments	Total
	Motor AED	Marine AED	FGA AED	Medical AED	Life AED		
Insurance revenue	197,355,225	32,431,377	109,684,765	838,441,302	12,729,192		1,190,641,861
Insurance service expenses	(299,412,744)	(11,500,915)	(15,495,594)	(865,265,634)	(4,667,742)		(1,196,342,629)
Net income from reinsurance contracts held	(55,267,114)	(17,624,186)	(87,224,996)	32,310,367	(6,072,448)		(133,878,377)
Net insurance financial result	(5,381,451)	(71,658)	(937,189)	(3,405,590)	(101,912)		(9,897,800)
Segment result	(162,706,084)	3,234,618	6,026,986	2,080,445	1,887,090	42,760,945	(106,716,000)
Unallocated costs							(26,046,469)
Loss for the year							(132,762,469)

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Notes to the consolidated financial statements (continued) For the year ended 31 December 2024

31. Gross written premiums

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

31 December 2024	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct written premiums	17,564,861	-	1,097,667,835	417,120,374	1,532,353,070
Assumed business					
Foreign	-	-	-	-	-
Local	-	-	-	7,909,552	7,909,552
Total assumed business	-	-	-	7,909,552	7,909,552
Gross written premiums	17,564,861	-	1,097,667,835	425,029,926	1,540,262,622

31 December 2023	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct written premiums	12,174,789	-	844,837,388	358,743,607	1,215,755,784
Assumed business					
Foreign	-	-	-	-	-
Local	-	-	-	8,000,110	8,000,110
Total assumed business	-	-	-	8,000,110	8,000,110
Gross written premiums	12,174,789	-	844,837,388	366,743,717	1,223,755,894

32. Dividend and Director's remuneration

The Board of Directors in its meeting held on 26 February 2025 has not proposed any dividend in respect of the year ended December 31, 2024 (2023: AED nil) for approval of the members at the Annual General Meeting. Further, Shareholders already approved the Board of Directors remuneration of AED 1,800,000 for 2023 during the year (2022: AED 1,050,000).

33. Corporate tax

	2024 AED	2023 AED
Consolidated statement of profit or loss		
Current tax	-	-
Consolidated statement of other comprehensive income		
Current tax	-	-
Deferred tax	-	-

During the year, no current tax expense is recognised due to taxable losses in the current period.

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

Notes to the consolidated financial statements (continued)

For the year ended 31 December 2024

33. Corporate tax (continued)

Relationship between tax expense and accounting profit:

	2024 AED	2023 AED
Loss before taxation	(36,927,232)	-
Tax @ 9%	-	-

The Group have taxable losses and accordingly is eligible for deferred tax credit. However, management of the Group has decided not to record the same on a prudent basis.

34. Approval of the consolidated financial statements

The consolidated financial statements were approved by the Board of Directors and authorized for issue on 25 March 2025.

35. Subsequent events

There have been no events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements for the year ended 31 December 2024.