

**Al-Sagr National Insurance Company
(PSC)**

Financial Statements

For the year ended 31 December 2023

Al-Sagr National Insurance Company (Public Shareholding Company)

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of Al-Sagr National Insurance Company (Public Shareholding Company); for the period ended 31/12/2023

Financial Highlights

The company achieved insurance revenues of AED 828 million for the year 2023, compared to insurance revenues of AED 528 million for the previous year. The net result at the end of 2023 amounted to profits of AED 6.4 million, compared to losses of AED 50.8 million for the previous year. Net equity reached AED 209.3 million at the end of 2023, compared to AED 203 million at the end of the previous year. These figures are based on the financial statements prepared according to IFRS 17.

Directors:-

Mr. Majid Abdulla Al Sari
Mr. Khalid Abdulla Omran Tariam
Mr. Mohamed Ali Al Sari
Mr. Abdel Muhsen Jaber
Ms. Jawaher Salim Almheri

Chairman
Vice Chairman
Director
Director & CEO
Director

Auditors:-

Grant Thornton were appointed as auditors of the Al Sagr National Insurance Company for the year 2023 at the Annual General Meeting held on 19/04/2023

For and on behalf of the board

Abdel Muhsen Jaber
Director & CEO

30/03/2024



Independent Auditor's Report To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al-Sagr National Insurance Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountant's Code of Ethics for Professional Accountants (Including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements together with the other ethical requirements that are relevant to our audit of financial statements. 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 26 to the financial statements which states that the Company did not meet the Minimum Capital Requirements of AED 100 million, Solvency Capital Requirement of AED 211.1 million and Minimum Guarantee Fund Requirement of AED 129.5 million. The Company's ability to comply with the solvency requirements depends on preparing and implementing an effective business plan subject to the approval of regulatory authorities. Our opinion is not modified in respect of this matter.

Independent Auditor's Report

To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment assessment of investment in associates</p> <p>The Company holds investment in associates as at 31 December 2023, amounting to AED 110.8 million as disclosed in note 6 to these financial statements. The management assesses at least annually the existence of impairment indicators for its investment in associates. Accordingly, the processes and methodologies for assessing and determining the recoverable amount of the investment are based on complex assumptions, in particular with reference to identification of impairment indicators, forecast of future cashflows, long term growth rates and discount rates applied to such cashflows. Considering the judgement required for estimating the cashflows and the complexity of the assumptions used, this is considered as a key audit matter.</p>	<p>Our audit procedures, among others, include:</p> <ul style="list-style-type: none"> - Understood the Company's process for assessment of impairment of investment in associates; - Assessed the methodology used by management to estimate the recoverable amount of the investment and consistency with the IFRS; - Compared the carrying values of the investment with their respective net asset values and market value available as at the reporting date; - Where any indicators of impairment were observed, obtained management valuation and evaluated the adequacy of key assumptions such as the discount rate and growth rate; and - Evaluated the adequacy of the disclosures in these financial statements.

Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)
Report on the Audit of the Financial Statements (continued)
Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p data-bbox="318 491 854 575">Valuation of insurance contract liabilities, insurance contract assets, reinsurance contract liabilities and reinsurance contract assets.</p> <p data-bbox="318 579 878 726">As at 31 December 2023, insurance contract liabilities, insurance contract assets, reinsurance contract liabilities and reinsurance contract assets are amounted to AED 279.4 million, AED 19.9 million, AED 70.9 million and AED 149.1 million, respectively. (refer Note 10).</p> <p data-bbox="318 751 878 926">Valuation of insurance contract liabilities, insurance contract assets, reinsurance contract liabilities and reinsurance contract assets involves significant judgements and estimates particularly with respect to, eligibility of the premium allocation approach (PAA) and estimation of the liabilities for incurred claims.</p> <p data-bbox="318 957 878 1073">These liabilities primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cash flows which are within the contract boundaries.</p> <p data-bbox="318 1104 878 1304">The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of these cashflows.</p>	<p data-bbox="902 579 1453 642">We performed the following procedures in conjunction with our actuarial specialists:</p> <ul style="list-style-type: none"> <li data-bbox="902 674 1453 821">- Understood and evaluated the process, the design of controls in place to determine valuation of insurance contract liabilities, insurance contract assets, reinsurance contract liabilities and reinsurance contract assets; <li data-bbox="902 852 1453 915">- Assessed the competence, capabilities and objectivity of the management appointed actuary; <li data-bbox="902 947 1453 1031">- Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; <li data-bbox="902 1062 1453 1293">- 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; <li data-bbox="902 1325 1453 1524">- We independently reperformed the calculation to assess the mathematical accuracy of the insurance contract liabilities, insurance contract assets, reinsurance contract liabilities and reinsurance contract assets on selected classes of business, particularly focusing on largest and most uncertain reserves; <li data-bbox="902 1556 1453 1640">- Evaluated and tested the data used in the impairment model calculations receivables for amounts due; and <li data-bbox="902 1671 1453 1755">- 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-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
<p>Disclosures of transition impact of adopting IFRS 17</p> <p>We determined the disclosure of the impact of adopting IFRS 17 to be a key audit matter due to the significant changes introduced by the standard, which includes significant estimates and judgements. These impacts will be of particular importance to the readers of these financial statements (refer Note 3).</p> <p>In particular, we have focused on the following key judgements that management have taken on implementing IFRS 17:</p> <ul style="list-style-type: none"> - The determination of the transition approach adopted for each group of insurance contracts; - The methodology adopted and key assumptions used to determine the impact and restatement of previously reported numbers in accordance with IFRS 17; and - Disclosure of the impact of restatement, in accordance with IFRS 17. 	<p>Our audit procedures, among others, include:</p> <ul style="list-style-type: none"> - Assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17; - Using our actuarial specialist team members, evaluated the appropriateness of the methodology used to determine discount rates as at the transition date. - Evaluated the appropriateness of significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows; - Evaluated of the completeness, and on sample basis, the accuracy and relevance of the data used to determine the impact of IFRS 17 adoption and restatement; and - Evaluated the reasonableness of the quantitative and qualitative disclosures included in the financial statements in accordance with IFRS 17.
<p>Valuation of investment property</p> <p>The Company holds investment property under the fair value model as at 31 December 2023 amounting to AED 157.9 million (2022: AED 157.9 million), as detailed in note 9 to the financial statements. The fair value estimate requires significant judgement and estimates by management and independent two external valuers. The Company has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.</p>	<p>Our audit procedures, among others, included:</p> <ul style="list-style-type: none"> - Assessed the competence, capabilities, and objectivity of external valuers; - Evaluated the accuracy and completeness of the source data used in the calculation of fair values; - Assessed the appropriateness of the key assumptions and methodologies used; and - Performed an independent calculation after carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management experts. - Assessed the adequacy of disclosures included in the financial statements.

Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021 and UAE Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for The Audit of The Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent Auditor's Report To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal 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 financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (32) of 2021;
- iii) The Company has maintained proper books of account;
- iv) The financial information included in the *Board of Directors' Statement*, in so far as it relates to these financial statements, is consistent with the books of account of the Company;



Independent Auditor's Report

To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on Other Legal and Regulatory Requirements (continued)

- v) As disclosed in note 7 to these financial statements; the Company has not purchased or invested in shares during the year ended 31 December 2023;
- vi) Note 22 reflect material related party transactions and the terms under which they were conducted;
- vii) Based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the UAE Federal Law No. (32) of 2021 or its Articles of Association which would have a material impact on its activities or its financial position as at 31 December 2023; and
- viii) The Company has not made any social contributions during the year ended 31 December 2023.

Further, as required by the UAE Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended), we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit.


GRANT THORNTON UAE

Dr. Osama El-Bakry
Registration No: 935

Dubai, United Arab Emirates

30 March 2024

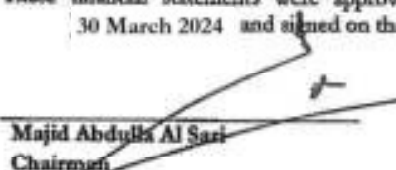


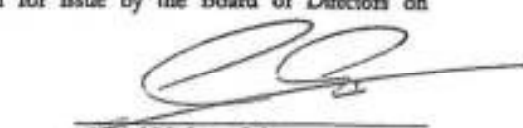
Al-Sagr National Insurance Company (PSC)

Statement of financial position As at 31 December 2023

	Notes	2023 AED	Restated 2022 AED	Restated 2021 AED
ASSETS				
Property and equipment	5	87,690,885	80,755,588	88,521,494
Investment in associates	6	110,801,857	99,475,388	118,340,804
Investment in financial assets at fair value through profit or loss (FVTPL)	7	22,266,295	19,404,579	15,587,696
Investment property	9	157,931,895	157,931,895	157,931,895
Insurance contract assets	10	19,865,132	16,362,791	-
Reinsurance contract assets	10	149,059,062	136,621,711	196,037,180
Due from related parties		12,793,779	14,629,709	15,149,988
Other receivables and prepayments	11	22,412,249	16,451,686	11,119,028
Cash and bank balances	12	267,762,651	207,941,277	192,309,830
TOTAL ASSETS		850,583,805	749,574,624	794,997,915
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	230,000,000	230,000,000	230,000,000
Statutory reserve	14	70,848,081	70,203,206	70,203,206
General reserve		-	-	20,000,000
Reinsurance reserve	15	4,235,793	2,751,401	1,612,577
Accumulated losses		(95,708,302)	(100,027,785)	(68,021,754)
TOTAL EQUITY		209,375,572	202,926,822	253,794,029
LIABILITIES				
Provision for employees' end of service indemnity	16	6,844,648	6,575,008	7,612,039
Bank borrowings	17	218,486,962	158,788,906	154,550,305
Other payables	18	57,227,469	46,231,896	31,179,151
Insurance contract liabilities	10	279,427,369	305,214,442	298,670,449
Reinsurance contract liabilities	10	70,977,349	28,364,610	40,566,769
Lease liability	19	8,244,436	1,472,940	8,625,173
TOTAL LIABILITIES		641,208,233	546,647,802	541,203,886
TOTAL EQUITY AND LIABILITIES		850,583,805	749,574,624	794,997,915

These financial statements were approved and authorised for issue by the Board of Directors on 30 March 2024 and signed on their behalf by:


Majid Abdulla Al Sari
Chairman


Abdel Muhnen Jaber
Director and CEO

The attached explanatory notes from 1 to 28 form an integral part of these financial statements.

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Al-Sagr National Insurance Company (PSC)

Statement of comprehensive income For the year ended 31 December 2023

	Notes	2023 AED	Restated 2022 AED
Insurance premium		827,695,043	527,972,541
Insurance service expenses	20	(774,361,551)	(510,720,381)
Insurance service result before reinsurance contracts held		53,333,492	17,252,160
Allocation of reinsurance premiums		(240,649,298)	(176,771,528)
Amounts recoverable from reinsurance for incurred claims		212,296,315	139,641,367
Net expenses from reinsurance contracts held		(28,352,983)	(37,130,161)
Insurance service result		24,980,509	(19,878,001)
Investment income/(loss)	21	19,371,900	(19,490,781)
Insurance finance expense for insurance contracts issued	21	(10,563,192)	(802,909)
Reinsurance finance income for reinsurance contracts held	21	7,717,045	251,780
Net insurance financial result		41,506,262	(39,919,911)
Other operating expenses		(25,330,712)	(7,107,482)
Finance costs		(9,726,800)	(3,839,814)
PROFIT/(LOSS) FOR THE YEAR		6,448,750	(50,867,207)
Other comprehensive income for the year		-	-
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		6,448,750	(50,867,207)
Basic and diluted earnings/(loss) per share	22	0.03	(0.22)

The attached explanatory notes from 1 to 28 form an integral part of these financial statements.

Al-Sagr National Insurance Company (PSC)

**Statement of changes in equity
For the year ended 31 December 2023**

	Share capital AED	Statutory reserve AED	General reserve AED	Reinsurance reserve AED	Accumulated losses AED	Total equity AED
At 1 January 2022, as previously reported	230,000,000	70,203,206	20,000,000	1,612,577	(66,011,660)	255,804,123
Adjustment on initial application of IFRS 17	-	-	-	-	(2,010,094)	(2,010,094)
Restated balance as at 1 January 2022	230,000,000	70,203,206	20,000,000	1,612,577	(68,021,754)	253,794,029
Total comprehensive loss for the year	-	-	-	-	(50,867,207)	(50,867,207)
Loss for the year (restated)	-	-	-	-	(50,867,207)	(50,867,207)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	-	(50,867,207)	(50,867,207)
Transfer from general reserve to retained earnings (note 15)	-	-	(20,000,000)	-	20,000,000	-
Transfer to reinsurance reserve (note 15)	-	-	-	1,138,824	(1,138,824)	-
Balance as at 31 December 2022	230,000,000	70,203,206	-	2,751,401	(100,027,785)	202,926,822
Balance at 1 January 2023, as previously reported	230,000,000	70,203,206	-	2,751,401	(96,596,057)	206,358,550
Adjustment on initial application of IFRS 17	-	-	-	-	(3,431,728)	(3,431,728)
Restated balance as at 1 January 2023	230,000,000	70,203,206	-	2,751,401	(100,027,785)	202,926,822
Total comprehensive income for the year	-	-	-	-	6,448,750	6,448,750
Profit for the year	-	-	-	-	6,448,750	6,448,750
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	6,448,750	6,448,750
Transfer to statutory reserve (note 14)	-	644,875	-	-	(644,875)	-
Transfer to reinsurance reserve (note 15)	-	-	-	1,484,392	(1,484,392)	-
Balance as at 31 December 2023	230,000,000	70,848,081	-	4,235,793	(95,708,302)	209,375,572

The attached explanatory notes from 1 to 28 form an integral part of these financial statements.

Al-Sagr National Insurance Company (PSC)

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 AED	Restated 2022 AED
OPERATING ACTIVITIES			
Profit/(loss) for the year		6,448,750	(50,867,207)
Share of (profit)/losses from equity accounted investees	6	(11,326,469)	18,865,416
Net unrealised gain from investments in financial assets at FVTPL	7	(2,861,716)	(1,066,892)
Depreciation	5	2,378,087	3,031,450
Finance costs		9,726,800	3,839,817
Allowance for expected credit losses of related parties		-	1,462,005
Provision for employees' end of service indemnity	16	1,478,603	950,446
Allowance for expected credit losses in other receivables and prepayments		-	1,037,995
Gain on disposal of property and equipment		(19,750)	(18,083)
Interest on lease liability		152,480	110,514
Gain on termination of lease liability		-	(92,830)
Dividend income from investment in financial assets at FVTPL	21	(484,769)	(434,741)
Interest income	21	(9,868,929)	(3,453,241)
Operating cash flows before movements in working capital		(4,376,913)	(26,635,351)
Insurance contract assets and liabilities-net		(29,289,414)	(9,818,798)
Reinsurance contract assets and liabilities-net		30,175,388	47,213,310
Change in due from related parties		1,835,930	(941,726)
Change in other receivables and prepayments		(5,960,563)	(6,370,653)
Change in other payables		10,995,573	15,052,745
Net cash generated from operations		3,380,001	18,499,527
Employees' end of service benefits paid	16	(1,208,963)	(1,987,477)
Net cash generated from operating activities		2,171,038	16,512,050
INVESTING ACTIVITIES			
Purchase of property and equipment		(262,856)	(481,068)
Proceeds from sale of property and equipment		94,252	68,500
Net proceeds from sale of investment in financial assets at FVTPL		-	(2,749,991)
Dividends received from investment in financial assets at FVTPL	21	484,769	434,741
Interest received	21	9,868,929	3,453,241
Net cash generated from investing activities		10,185,094	725,423
FINANCING ACTIVITIES			
Finance costs paid		(9,726,800)	(3,839,817)
Payment of lease liability		(2,506,014)	(2,004,810)
Net cash used in financing activities		(12,232,814)	(5,844,627)
Net changes in cash and cash equivalents		123,318	11,392,846
Cash and cash equivalents at 1 January		49,152,371	37,759,525
Cash and cash equivalents at 31 December	12	49,275,689	49,152,371

The attached explanatory notes from 1 to 28 form an integral part of these financial statements.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

1 LEGAL STATUS AND ACTIVITIES

Al-Sagr National Insurance Company (PSC), (the "Company") was incorporated on 25 December 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates (U.A.E.) under registration No. (16). The Company's address in Dubai is P.O. Box 14614, Dubai, U.A.E. The Company is a subsidiary of Gulf General Investments Company (the "Parent Company"), a public company incorporated in U.A.E. The Company is subject to the regulations of the U.A.E. Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended), concerning Financial Regulations of Insurance Companies issued by the Central Bank of UAE and regulation of its operations and is registered in the Insurance Companies Register of the Central Bank of the UAE, under the registration number 16.

The principal activity of the Company is the writing of insurance of all types. The Company operates through its head office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi, Al Ain, Ras Al Khaimah and Ajman in the U.A.E.

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

During the year, Federal Law No. 48 of 2023 has been issued with effective date of 30 November 2023, repealing Federal Law No. 6 of 2007. In accordance with Article 112 of the Federal Law No. 48 of 2023, the Company has 6 months from this date to apply the provisions of the new Law. The Company is in the process of reviewing the new provisions and will apply the requirements thereof in the required time.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of U.A.E Federal Law No. (32) of 2021 relating to commercial companies, and of UAE Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended), concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. These financial statements are prepared in Arab Emirates Dirhams ("AED").

Going concern

These financial statements have been prepared on a going concern basis, notwithstanding the fact that the Company did not meet the solvency requirements. The Company's ability to comply with the solvency requirements depends on preparing and implementing an effective business plan subject to the approval of regulatory authorities.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

2 BASIS OF PREPARATION (continued)

2.2 BASIS OF MEASUREMENT

These financial statements have been prepared on the historical cost basis except for the following which are measured at fair value.

- i) financial instruments at fair value through profit or loss ("FVTPL"); and
- ii) investment property.

The methods used to measure fair values are discussed in note 3.6.

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FROM 1 JANUARY 2023

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

Standard number	Title	Effective date
IAS 1	Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
IAS 8	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a single transaction – Amendments to IAS 12	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

These standards have been adopted by the Company and did not have a material impact on these financial statements except for adoption of IFRS 17- Insurance Contracts.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024
IAS 7	Supplier Finance Arrangements	1 January 2024
IAS 21	lack of Exchangeability	1 January 2025

3 MATERIAL ACCOUNTING POLICY INFORMATION

3.1 IFRS 17 Insurance Contracts

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

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

IFRS 17 replaces IFRS 4 Insurance Contracts for annual years on or after 1 January 2023. The Company has restated comparative information applying the transitional provisions to IFRS 17. The nature of the changes in accounting policies can be summarised, as on the next page:

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

The adoption of IFRS 17 did not change the classification of the Company's insurance contracts. The Company was previously permitted under IFRS 4 to continue accounting using its previous accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Company.

Under IFRS 17, the Company's insurance contracts issued, and reinsurance contracts held are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model in IFRS 17.

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

Previously, all acquisition costs were recognised and presented as separate assets from the related insurance contracts ('deferred acquisition costs') until those costs were included in the statement of comprehensive income. Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and are tested for recoverability. These assets are presented in the carrying amount of the related portfolio of contracts and are derecognised once the related contracts have been recognised.

Income and expenses from reinsurance contracts other than insurance finance income and expenses are now presented as a single net amount in profit or loss. Previously, amounts recovered from reinsurers and reinsurance expenses were presented separately.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Company under IFRS 4 in the following key areas:

- The liability for remaining coverage reflects premiums received less deferred acquisition expenses less amounts recognised in revenue for insurance services provided;
- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related year of coverage are more than 12 months apart;
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision); and
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported (IBNR)) is determined on a discounted probability-weighted expected value basis and includes an explicit risk adjustment for non-financial risk.

The Company capitalises its insurance acquisition cash flows. No separate asset is recognised for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

For presentation in the statement of financial position, the Company aggregates insurance and reinsurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Groups of insurance and reinsurance contracts issued that are assets;
- Groups of insurance and reinsurance contracts issued that are liabilities;
- Groups of reinsurance contracts held that are assets; and
- Groups of reinsurance contracts held that are liabilities.

The groups referred to above are those established at initial recognition in accordance with the IFRS 17 requirements.

The line-item descriptions in the statement of comprehensive income have been changed significantly compared with last year. Previously, the Company reported the following line items:

- Gross written premiums
- Net written premiums
- Changes in premium reserves
- Gross insurance claims
- Net insurance claims

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

The default transition approach under IFRS 17 is the Full Retrospective Approach ("FRA") which requires that upon transition IFRS 17 should be applied from inception of the groups of contracts as if IFRS 17 has always been applicable. However, if FRA is impracticable the following methods may be adopted:

- Modified Retrospective Approach ("MRA"): Under this approach the objective is to achieve the closest possible approximation to the FRA using the modifications allowed within the standard and without undue cost and effort.
- Fair Value Approach ("FVA"): Under this approach the fair value of the groups of contracts is computed and compared with the FCF. The CSM or loss component is the difference between the fair value and the FCF. Fair values for this purpose must be computed applying IFRS 13.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Transition (continued)

The table below summarises the impact of initial application of IFRS 17 as at 1 January 2022:

	As previously reported	Effect of application of IFRS 17	Restated
	AED	AED	AED
ASSETS			
Reinsurance contract asset	282,901,673	(86,864,493)	196,037,180
Insurance and reinsurance receivables	199,194,939	(199,194,939)	-
Other receivables	11,119,028	-	11,119,028
Amounts due from related parties	15,683,726	(533,738)	15,149,988
LIABILITIES			
Insurance contract liabilities	523,656,744	(224,986,295)	298,670,449
Reinsurance contract liabilities	-	40,566,769	40,566,769
Insurance and reinsurance payables	100,088,018	(100,088,018)	-
Other payables	31,254,683	(75,532)	31,179,151
EQUITY			
Retained earnings	(66,011,660)	(2,010,094)	(68,021,754)

Insurance and reinsurance contracts classification

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company 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 Company 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 Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company'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.

Level of aggregation

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

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation (continued)

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

- Portfolio – contracts that have similar risks and that are managed together can be grouped.
- Profitability – contracts with similar expected profitability (at inception or initial recognition) can be grouped.
- Cohorts – contracts issued more than 12 months apart cannot be grouped together. However, in certain circumstances a one-time simplification upon transition for contracts as at the transition is allowed.

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

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

Recognition

Recognition requirements are slightly different for issued contracts and held contracts. For groups of issued contracts, a group should be recognised at the earliest of the following:

- Beginning of the coverage period;
- Date when the first payment from a policyholder becomes due; and
- For a group of onerous contracts when the group becomes onerous.

Reinsurance contracts held by an entity are recognised on the earlier of:

- Beginning of the coverage period of the group of reinsurance contracts held; and
- Date the entity recognises an onerous group of underlying takaful contracts provided the reinsurance contract was in force on or before that date.

Regardless of the first point above, the recognition of proportional reinsurance contracts held shall be delayed until the recognition of the first underlying contract issued under that reinsurance contract.

Contract boundary

The Company 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 period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with services.

A substantive obligation to provide services ends when:

- The Company 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 Company 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 periods 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.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

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

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary.

Or

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

The Company does not apply the PAA if, at the inception of the group of contracts, it expects significant variability in the fulfilment cash flows that would affect the measurement of the liability for the remaining coverage during the period 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 period of the group of contracts.

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

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

Insurance contracts – subsequent measurement

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

- Plus premiums received in the period;
- 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 period for the group;
- Plus any adjustment to the financing component, where applicable;
- Minus the amount recognised as insurance revenue for the coverage period; and
- Minus any investment component paid or transferred to the liability for incurred claims.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Measurement - Premium Allocation Approach (continued)

Insurance contracts – subsequent measurement (continued)

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company 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 as a portion of premium to statement of comprehensive income (through insurance revenue).

Reinsurance contracts

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

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

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

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

Presentation

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

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

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

The Company disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.

The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance revenue

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

The Company 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 periods presented, all revenue has been recognised on the basis of the passage of time.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. If at any time during the coverage period, the facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

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

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

The Company disaggregates insurance finance income or expenses between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company's financial assets are also measured at FVTOCI.

Net income or expense from reinsurance contracts held

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

Deferred TPA fees

For insurance contracts, the deferred TPA fees asset represents the portion of TPA fees which corresponds to the proportion of net premiums written that is unearned at the reporting date.

During the year, the Company has changed its accounting policy by deferring the TPA fees in line with the contract boundary of the policy. This represents more reliable and comparable information in line with the premium earning pattern of the company. The impact on prior year comparatives was not deemed material and thus a retrospective approach has not been adopted.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.1 IFRS 17 Insurance Contracts (continued)

Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

3.2 Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains or losses on investment property and financial assets at fair value through profit or loss (FVTPL).

Income from financial assets comprises interest and dividend income, net gains or losses on financial assets classified at FVTPL, and realised gains or losses on other financial assets.

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains or losses on financial assets classified at FVTPL and realised gains on other financial assets is described in note 3.5.

Fair value gains or losses on investment property are included in the statement of comprehensive income in the period these gains or losses are determined.

3.3 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in statement of comprehensive income. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of income as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.3 Property and equipment (continued)

Depreciation (continued)

Depreciation is recognised in statement of comprehensive income on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on capital-work-in-progress.

The estimated useful lives for various categories of property and equipment are as follows:

Office fixture	8 years
Furniture and equipment	8 years
Motor vehicles	8 years
Right-of-use asset	3 years

3.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in statement of comprehensive income.

The Company determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

3.5 Financial instruments

Recognition and measurement

The Company initially recognises insurance receivables and insurance payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

A financial assets or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Financial assets

Classification

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

Financial assets measured at amortised cost

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

Financial assets measured at amortised cost (continued)

If a financial asset does not meet both of these conditions, then it is measured at fair value. The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy focus on earning contractual interest revenue;
- The degree of frequency of any expected asset sales;
- The reason of any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets measured at FVTPL

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

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

Dividend in these investments in equity instruments are recognised in the statement of comprehensive income when the Company's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly insurance receivables, due from related parties, deposits and other receivables.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Equity securities

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

Non-derivate financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the transferred asset.

The Company derecognises a financial liability when its contractual obligation is discharged or cancelled or expire.

Impairment of financial assets

IFRS 9's impairment requirements use forward looking information under Expected credit loss (ECL) model for the financial assets measured at amortised cost which consist of insurance receivables, deposits, other receivables, due from related parties and cash and cash equivalents.

Measurement of ECLs

The Company considers a broader range of information when assessing 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 Company 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 losses' are recognised for the first category (i.e. Stage 1) while 'lifetime expected credit losses' are recognised for the second category (i.e. 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.

Impairment of non-derivative financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

Impairment of non-derivative financial assets carried at amortised cost (continued)

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

Impairment of loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

At each reporting date, the Company assesses on a case-by-case basis whether there is any objective evidence that an asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the statement of comprehensive income.

Impairment losses are recognised in the statement of comprehensive income and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in statement of comprehensive income. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.6 Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3.7 Foreign currency transactions

These financial statements are presented in U.A.E. Dirham (AED), which is the functional currency. Except as otherwise indicated, financial statements is presented in AED. Transactions denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to AED at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of profit or loss. The assets and liabilities of foreign subsidiary and the equity of associates are translated at the rate of exchange ruling at the reporting date. The results of associates are translated at the average exchange rates for the year. The exchange differences on the retranslation are taken directly to the other comprehensive income.

3.8 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in the arrangement.

Company as a lessee

A lessee is to be account for a right of use asset and initial lease liability at the inception of lease. Before the application of IFRS-16, lessee has to classify lease as an operating lease or a finance lease.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

3 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

3.9 Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

3.10 Employee terminal benefits

Defined benefit plan

The Company provides for staff terminal benefits based on an estimation of the amount of future benefits that employees have earned in return for their service until their retirement. This calculation is performed on a projected unit credit method.

The Company contributes to the pension scheme for nationals under the pension and social security law. This is a defined contribution pension plan and the Company's contribution are charged to the statement of profit or loss in the period in which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fund contribution as they fall due and no obligations exists to pay the future benefits.

3.11 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3.12 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial statements is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and value added tax assets and liabilities.

3.13 Investments in associates

Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

3.14 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

4 USE OF ESTIMATES AND JUDGEMENTS

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

In preparing this financial statements, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2022. Except for the below judgements.

Insurance and reinsurance contracts

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

Liability for remaining coverage

For insurance acquisition cash flows, the Company is eligible and chooses to recognise the payments as an expense immediately (coverage period of a year or less) for all acquisition cashflows except for commission expense which is capitalised.

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

Discount rates

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

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

4 USE OF ESTIMATES AND JUDGEMENTS (continued)

Discount rates (continued)

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

	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Insurance contracts issued								
	5.95%	6.44%	4.91%	5.63%	4.69%	5.32%	4.64%	5.12%
Reinsurance contracts held								
	5.95%	6.44%	4.91%	5.63%	4.69%	5.32%	4.64%	5.12%

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Company 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 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2022. There have been no changes in any risk management policies since the year end. The material accounting policy information in respect of property and equipment, intangible assets and financial assets have been disclosed in these financial statements as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008.

Impairment losses on insurance receivables

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

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

Impairment of investment in associates

At each reporting date, the Company reviews the carrying amounts of its investment in associates to determine whether there is any indication of impairment. If any indication exists, the management estimates recoverable amount of the investment. The recoverable amount of investment is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the investment. An impairment loss is recognised if the carrying amount of investment exceeds its recoverable amount. Impairment losses are recognised in statement of comprehensive income. They are allocated first to reduce the carrying amount of any goodwill recognised, and then to the remaining carrying amount of the investment.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

4 USE OF ESTIMATES AND JUDGEMENTS (continued)

Valuation of investment property

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

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used. The Company has taken the valuation for the fair value measurement of its investment property.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
1) Income capitalisation approach by comparable method	<ul style="list-style-type: none">- Owner property- Risk adjusted discount rates- Free of covenants, third party rights and obligations- Expected yield rate- Operational expenditure of the rental value- Sales transactions of similar properties in similar location	<ul style="list-style-type: none">- The property is owned in full and free of any onerous restrictions.- The risk adjusted discount rates were lower/higher.- The property is subject to any covenants, rights and obligations.- The expected yield rate is applied.- The property is subject to expenses in line with similar existing buildings.- The property is subject to sales value fluctuations of surrounding properties in the area.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

5 PROPERTY AND EQUIPMENT

	Land AED	Right-of-use asset AED	Office fixture AED	Furniture and equipment AED	Motor vehicles AED	Total AED
<i>Cost</i>						
At 1 January 2022	76,750,806	16,307,558	8,286,312	11,189,620	720,753	113,255,049
Additions	-	-	219,606	215,462	46,000	481,068
Disposals	-	-	-	-	(121,000)	(121,000)
Termination of lease	-	(7,747,661)	-	-	-	(7,747,661)
At 31 December 2022	76,750,806	8,559,897	8,505,918	11,405,082	645,753	105,867,456
Additions	-	9,125,030	8,025	254,831	-	9,387,886
Disposals	-	(8,559,897)	(36,138)	-	(46,000)	(8,642,035)
At 31 December 2023	76,750,806	9,125,030	8,477,805	11,659,913	599,753	106,613,307
<i>Depreciation</i>						
At 1 January 2022	-	7,988,805	7,159,849	9,254,603	330,298	24,733,555
Charge for the year	-	1,802,084	603,938	528,136	97,292	3,031,450
Disposals	-	-	-	-	(70,583)	(70,583)
Termination of lease	-	(2,582,554)	-	-	-	(2,582,554)
At 31 December 2022	-	7,208,335	7,763,787	9,782,739	357,007	25,111,868
Charge for the year	-	1,807,814	124,914	386,072	59,287	2,378,087
Disposals	-	(8,559,897)	(1,886)	-	(5,750)	(8,567,533)
At 31 December 2023	-	456,252	7,886,815	10,168,811	410,544	18,922,422
<i>Carrying amounts</i>						
At 31 December 2023	76,750,806	8,668,778	590,990	1,491,102	189,209	87,690,885
At 31 December 2022	76,750,806	1,351,562	742,131	1,622,343	288,746	80,755,588

Right of use asset

The table below describes nature of the Company's leasing activities by type of right-of-use assets recognised:

Right-of-use assets description	Number of right-of-use assets leased	Remaining term	Number of leases with extension option	Number of leases with purchase option	Number of leases with variable payments	Number of leases with termination option
Office building and premises	1	5	-	-	-	-

6 INVESTMENT IN ASSOCIATES

	2023 AED	2022 AED
Green Air Technology L.L.C., UAE (note 6.1)	16,716	16,716
Sogour Al Khaleej General Trading L.L.C., UAE (note 6.2)	150,000	150,000
Al Sagar Cooperative Insurance Company, KSA (note 6.3)	110,635,141	99,308,672
	110,801,857	99,475,388

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

6 INVESTMENT IN ASSOCIATES (continued)

6.1 The Company holds 50% and the Parent Company holds 25% ownership respectively in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates.

6.2 The Company holds 50% ownership in Sogour Al Khaleej General Trading L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The remaining 50% ownership is owned by the Parent Company.

Although, the Company holds 50% equity and the voting rights in these two associates, these are controlled by the Parent Company. The Company's voting rights in these entities do not give it control over the management of these entities.

6.3 As at 31 December 2023, the Company hold 26% shares of Al Sagr Cooperative Insurance Company ("Al Sagr Cooperative"). Out of the 26% shares, the Company holds 6% shares for the beneficial interest of other individuals. The Company accounts for the 20% holding as an investment in associate as the Company has significant influence over Al Sagr Cooperative under the equity method as follows:

	2023	2022
	AED	AED
As at 1 January	99,308,672	118,174,088
Share of profit/(losses) from equity accounted investees	11,326,469	(18,865,416)
As at 31 December	<u>110,635,141</u>	<u>99,308,672</u>
Percentage of interest	20%	20%
Assets	566,202,875	690,666,149
Liabilities	<u>(381,527,914)</u>	<u>(562,623,532)</u>
Net assets	<u>184,674,961</u>	<u>128,042,617</u>
Company's share in net assets at 20%	36,934,992	25,608,523
Goodwill and other intangibles at acquisition	<u>73,700,149</u>	<u>73,700,149</u>
Investment in associate	<u>110,635,141</u>	<u>99,308,672</u>
Revenue	<u>472,752,287</u>	<u>471,335,642</u>
Net profit/(loss)	<u>56,632,345</u>	<u>(94,327,080)</u>
Company's share of profit/(loss) at 20%	<u>11,326,469</u>	<u>(18,865,416)</u>

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

7 INVESTMENT IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

	2023 AED	2022 AED
Investment in financial assets at fair value through profit or loss (FVTPL)	<u>22,266,295</u>	<u>19,404,579</u>

Following is the movement of investments at FVTPL during the year:

	2023 AED	2022 AED
As at 1 January	19,404,579	15,587,696
Additions	-	2,749,991
Change in fair value	<u>2,861,716</u>	<u>1,066,892</u>
As at 31 December	<u>22,266,295</u>	<u>19,404,579</u>

During the year ended 31 December 2023, the Company has purchased nil (2022: 981,240 shares) measured at fair value through profit or loss. All investments are held within U.A.E.

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value hierarchy of assets measured at fair value

The following table analyses assets measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement, as mentioned in note 3.6, is categorised. The amounts are based on the values recognised in the statement of financial position.

<u>31 December 2023</u>	Level 1 AED	Level 3 AED	Total AED
<i>Financial assets</i>			
Investment in financial assets at FVTPL (note 7)	21,463,492	802,803	22,266,295
<i>Non-financial assets</i>			
Investment property (note 9)	-	157,931,895	157,931,895
	<u>21,463,492</u>	<u>158,734,698</u>	<u>180,198,190</u>
<u>31 December 2022</u>			
<i>Financial assets</i>			
Investment in financial assets at FVTPL (note 7)	18,606,532	798,047	19,404,579
<i>Non-financial assets</i>			
Investment property (note 9)	-	157,931,895	157,931,895
	<u>18,606,532</u>	<u>158,729,942</u>	<u>177,336,474</u>

9 INVESTMENT PROPERTY

	2023 AED	2022 AED
As at 31 December	<u>157,931,895</u>	<u>157,931,895</u>

Investment property comprises of a property in Al Barsha First, Dubai. As at 31 December 2023, the fair value of the property is based on valuation performed by accredited independent valuers who are specialists in valuing these type of investment property.

The valuation model used are in accordance with recommended industry practice. The fair value of the investment property was estimated based on fair valuation techniques and assumptions with reference to recent rental value of similar properties in an active market.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

10 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:

	31 December 2023			31 December 2022 <i>(Restated)</i>		
	Assets	Liabilities	Net	Assets	Liabilities	Net
	AED	AED	AED	AED	AED	AED
Insurance contracts issued						
Life and Medical	-	(130,260,450)	(130,260,450)	-	(141,414,064)	(141,414,064)
General and Motor	19,865,132	(149,166,919)	(129,301,787)	16,362,791	(163,800,378)	(147,437,587)
Total insurance contracts issued	19,865,132	(279,427,369)	(259,562,237)	16,362,791	(305,214,442)	(288,851,651)
Reinsurance contracts held						
Life and Medical	61,042,315	-	61,042,315	19,981,087	-	19,981,087
General and Motor	88,016,747	(70,977,349)	17,039,398	116,640,624	(28,364,610)	88,276,014
Total reinsurance contracts held	149,059,062	(70,977,349)	78,081,713	136,621,711	(28,364,610)	108,257,101

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

The Company disaggregates information to provide disclosure in respect of major product lines separately: Life & Medical and General & Motor. This disaggregation has been determined based on how the company 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 next page:

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements
For the year ended 31 December 2023

10 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)

	Life and Medical			General and Motor			Total AED
	Liabilities for remaining coverage		Liabilities for incurred claims	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component AED	Loss value of future cash flows AED	Estimates of the present value of future cash flows AED	Excluding loss component AED	Loss value of future cash flows AED	Risk adjustment AED	
31 December 2023							
Insurance contract liabilities as at 1 January	76,034,940	-	64,081,293	1,297,831	6,914,787	160,532,822	305,214,442
Insurance contract assets as at 1 January	-	-	-	-	-	11,907,137	(16,362,791)
Net contract liabilities as at 1 January	76,034,940	-	64,081,293	1,297,831	6,914,787	172,439,959	288,851,651
Insurance revenue	(465,691,327)	-	-	-	(362,003,716)	-	(827,695,043)
Insurance service expenses	37,074,972	-	405,091,476	1,225,935	(4,587,380)	270,466,513	774,361,551
Incurred claims and other expenses	-	-	303,918,292	3,335,554	-	264,097,332	578,416,083
Amortisation of insurance acquisition cash flows	37,074,972	-	-	-	64,787,822	-	101,862,794
Losses on onerous contracts and reversals of those losses	-	-	-	-	(4,587,380)	-	(4,587,380)
Changes to liabilities for incurred claims	-	-	101,173,184	(2,109,619)	-	6,369,181	(6,762,692)
Insurance service result	(428,616,355)	-	405,091,476	1,225,935	(4,587,380)	270,466,513	(53,333,492)
Insurance finance expenses	-	-	1,485,713	34,311	-	8,627,406	10,563,192
Total changes in the statement of comprehensive Cash flows	(428,616,355)	-	406,577,189	1,260,246	(4,587,380)	279,093,919	(42,770,300)
Premiums received	379,856,716	-	-	-	317,891,012	-	697,747,728
Claims and other expenses paid	-	-	(340,605,807)	-	-	(242,124,789)	(582,730,596)
Insurance acquisition cash flows	(29,625,605)	-	-	-	(71,910,641)	-	(101,536,246)
Total cash flows	350,231,111	-	(340,605,807)	-	245,980,371	(242,124,789)	13,480,886
Net insurance contract liabilities as at 31 December	(2,350,304)	-	130,052,675	2,558,077	2,327,407	209,409,089	259,562,237
Insurance contract liabilities as at 31 December	(2,350,304)	-	130,052,675	2,558,077	2,327,407	123,744,285	279,427,369
Insurance contract assets as at 31 December	-	-	-	-	(108,300,603)	85,664,804	(19,865,132)
Net insurance contract liabilities as at 31 December	(2,350,304)	-	130,052,675	2,558,077	2,327,407	209,409,089	259,562,237

Al-Sagr National Insurance Company (PSC)

**Notes to the financial statements
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10 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)

	Life and Medical			General and Motor			Total AED
	Liabilities for remaining coverage		Liabilities for incurred claims	Liabilities for remaining coverage		Liabilities for incurred claims	
	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	Excluding loss component AED	Loss component AED	Estimates of the present value of future cash flows AED	
31 December 2022 <i>(Restated)</i>	(6,948,618)	-	38,798,591	847,859	4,995,526	243,151,247	298,670,449
Insurance contract liabilities as at 1 January	(300,472,459)	-	-	-	(227,500,082)	-	(527,972,541)
Insurance revenue	24,967,448	-	278,972,606	444,037	35,061,720	174,732,288	510,720,381
Insurance service expenses	-	-	175,193,342	1,058,127	-	97,726,515	275,686,952
Incurred claims and other expenses	24,967,448	-	-	-	35,061,720	-	60,029,168
Amortisation of insurance acquisition cash flows	-	-	-	-	-	-	-
Losses on onerosous contracts and reversals of those losses	-	-	-	-	-	550,063	550,063
Changes to liabilities for incurred claims	-	-	103,779,264	(614,090)	-	77,005,773	174,454,198
Insurance service result	(275,505,011)	-	278,972,606	444,037	(192,438,362)	174,732,288	(17,252,160)
Insurance finance expenses	-	-	103,444	5,935	-	419,484	802,909
Total changes in the statement of comprehensive income	(275,505,011)	-	279,076,050	449,972	(192,438,362)	175,151,772	(16,449,251)
<i>Cash flows</i>							
Premiums received	386,208,906	-	-	-	187,470,300	-	573,679,206
Claims and other expenses paid	-	-	(253,793,348)	-	-	(245,863,061)	(499,656,409)
Insurance acquisition cash flows	(27,720,337)	-	-	-	(39,672,007)	-	(67,392,344)
Total cash flows	358,488,569	-	(253,793,348)	-	147,798,293	(245,863,061)	6,630,453
Net insurance contract liabilities as at 31 December	76,034,940	-	64,081,293	1,297,831	(39,644,543)	6,914,787	288,851,651
Insurance contract liabilities as at 31 December	76,034,940	-	64,081,293	1,297,831	(10,851,752)	6,914,787	305,214,442
Insurance contract assets as at 31 December	-	-	-	-	(28,792,791)	11,907,136	(16,362,791)
Net insurance contract liabilities as at 31 December	76,034,940	-	64,081,293	1,297,831	(39,644,543)	6,914,787	288,851,651

Al-Sagr National Insurance Company (PSC)

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For the year ended 31 December 2023

10 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

	Life and Medical				General and Motor				Total AED
	Assets for remaining coverage		Amounts recoverable on incurred claims		Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Risk adjustment AED	
31 December 2023									
Reinsurance contract assets as at 1 January	(3,262,056)	-	22,793,471	449,672	(7,723,586)	-	118,501,421	5,862,789	136,621,711
Reinsurance contract liabilities as at 1 January	-	-	-	-	(30,916,220)	-	2,470,433	81,177	(28,364,610)
Net reinsurance contract assets as at 1 January	(3,262,056)	-	22,793,471	449,672	(38,639,806)	-	120,971,854	5,943,966	108,257,101
An allocation of reinsurance premiums	(138,211,923)	-	-	-	(102,437,375)	-	-	-	(240,649,298)
Amounts recoverable from reinsurers for incurred claims	-	-	164,745,485	636,414	-	-	47,643,569	(729,153)	212,296,315
Amounts recoverable for incurred claims and other expenses	-	-	119,952,167	1,492,468	-	-	68,853,666	3,109,227	193,407,528
Changes to amounts recoverable for incurred claims	-	-	44,793,318	(856,054)	-	-	(21,210,097)	(3,838,380)	18,888,787
Net income or expense from reinsurance contracts held	(138,211,923)	-	164,745,485	636,414	(102,437,375)	-	47,643,569	(729,153)	(28,352,983)
Reinsurance finance income	-	-	635,242	14,170	-	-	6,973,996	349,663	7,973,071
Effect of changes in non-performance risk of reinsurers	-	-	(189,870)	-	-	-	(66,156)	-	(256,026)
Total changes in the statement of comprehensive income	(138,211,923)	-	165,190,857	650,584	(102,437,375)	-	54,551,409	(379,490)	(20,635,938)
Cash flows									
Premiums paid	145,178,676	-	-	-	31,035,212	-	-	-	176,213,888
Amounts received	-	-	(131,746,966)	-	-	-	(54,006,372)	-	(185,753,338)
Total cash flows	145,178,676	-	(131,746,966)	-	31,035,212	-	(54,006,372)	-	(9,539,450)
Net reinsurance contract assets as at 31 December	3,704,697	-	56,237,362	1,100,256	(110,041,969)	-	121,516,891	5,564,476	78,081,713
Reinsurance contract assets as at 31 December	3,704,697	-	56,237,362	1,100,256	(17,518,925)	-	100,773,171	4,762,501	149,089,062
Reinsurance contract liabilities as at 31 December	-	-	-	-	(92,523,044)	-	20,743,720	801,975	(70,977,349)
Net reinsurance contract assets as at 31 December	3,704,697	-	56,237,362	1,100,256	(110,041,969)	-	121,516,891	5,564,476	78,081,713

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Notes to the financial statements
For the year ended 31 December 2023

10 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)

	Life and Medical			General and Motor			Total AED
	Assets for remaining coverage		Amounts recoverable on incurred claims	Assets for remaining coverage		Amounts recoverable on incurred claims	
	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	Excluding loss recovery component AED	Loss component AED	Estimates of the present value of future cash flows AED	
31 December 2022 (Revised)							
Reinsurance contract assets as at 1 January	-	-	-	19,921,247	1,558	167,481,043	196,037,180
Reinsurance contract liabilities as at 1 January	(54,203,470)	-	286,306	-	-	-	(40,566,769)
Net reinsurance contract assets as at 1 January	(54,203,470)	-	286,306	19,921,247	1,558	167,481,043	155,470,411
Allocation of reinsurance premiums	(84,717,502)	-	-	(92,054,026)	-	-	(176,771,528)
Amounts recoverable from reinsurers for incurred claims	-	-	113,760,608	-	(1,558)	28,632,441	139,641,367
Amounts recoverable for incurred claims and other expenses	-	-	63,342,731	-	-	40,196,458	104,736,477
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	(1,558)	-	(1,558)
Changes to amounts recoverable for incurred claims	-	-	50,417,877	-	-	(11,564,017)	34,916,448
Net income or expense from reinsurance contracts held	(84,717,502)	-	113,760,608	(92,054,026)	(1,558)	28,632,441	(37,130,161)
Reinsurance finance income	-	-	(2,067)	-	-	515,401	737,458
Effect of changes in non-performance risk of reinsurers	-	-	(93,778)	-	-	(391,900)	(485,678)
Total changes in the statement of comprehensive income	(84,717,502)	-	113,664,763	(92,054,026)	(1,558)	28,755,942	(36,878,381)
<i>Cash flows</i>							
Premiums paid	135,658,916	-	-	33,492,973	-	-	169,151,889
Amounts received	-	-	(104,221,687)	-	-	(75,265,131)	(179,486,818)
Total cash flows	135,658,916	-	(104,221,687)	33,492,973	-	(75,265,131)	(10,334,929)
Net reinsurance contract assets as at 31 December	(3,262,056)	-	22,793,471	(38,639,806)	-	120,971,854	108,257,101
Reinsurance contract assets as at 31 December	(3,262,056)	-	22,793,471	(30,916,220)	-	2,470,433	(81,177)
Reinsurance contract liabilities as at 31 December	-	-	-	(38,639,806)	-	120,971,854	108,257,101
Net reinsurance contract assets as at 31 December	(3,262,056)	-	22,793,471	(38,639,806)	-	120,971,854	108,257,101

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

10 INSURANCE AND REINSURANCE CONTRACTS (continued)

In addition to scenario testing, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company'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 statement of financial position. The following tables illustrate the Company's estimate of total liability for incurred claims for the years up to 2023.

Gross Insurance contract liabilities as at 31 December 2023

	2021 and prior AED	2022 AED	2023 AED	Total AED
At the end of each reporting year	2,299,888,675	407,109,002	650,245,857	3,357,243,534
One year later	2,308,870,942	406,096,300	-	2,714,967,242
Two years later	2,298,529,436	-	-	2,298,529,436
Estimate of cumulative claims	2,298,529,436	406,096,300	650,245,857	3,354,871,593
Cumulative payments to date	(2,211,682,833)	(397,250,387)	(403,679,897)	(3,012,613,117)
Unallocated loss adjustment expense reserve	-	-	6,274,720	6,274,720
Total gross undiscounted liabilities for incurred claims	86,846,603	8,845,913	252,840,680	348,533,196
Effect of discounting	-	-	(9,071,432)	(9,071,432)
Total discounted gross reserves included in the statement of financial position	86,846,603	8,845,913	243,769,248	339,461,764
Risk Adjustments				11,003,436

Reinsurance contract liabilities as at 31 December 2023

	2021 and prior AED	2022 AED	2023 AED	Total AED
At the end of each reporting year	727,525,777	174,569,768	233,571,670	1,135,667,215
One year later	698,790,302	162,839,952	-	861,630,254
Two years later	697,025,505	-	-	697,025,505
Estimate of cumulative claims	697,025,505	162,839,952	233,571,670	1,093,437,127
Cumulative payments to date	(612,247,500)	(155,959,770)	(141,128,012)	(909,335,282)
Total reinsurance undiscounted liabilities for incurred claims	84,778,005	6,880,182	92,443,658	184,101,845
Effect of discounting	-	-	(6,347,592)	(6,347,592)
Total discounted reinsurance reserves included in the statement of financial position	84,778,005	6,880,182	86,096,066	177,754,253
Risk Adjustments				6,664,732

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

11 OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	AED	AED
Accrued interest income	4,535,591	1,254,339
Prepayments	611,473	525,003
Staff advances	69,613	137,731
Deferred TPA fees	9,349,847	7,617,026
Other receivables	9,222,026	8,293,888
Less: Expected credit losses	(1,376,301)	(1,376,301)
	<u>22,412,249</u>	<u>16,451,686</u>

12 CASH AND BANK BALANCES

	2023	2022
	AED	AED
Cash in hand	84,845	77,834
Bank balances:		
Current accounts	8,984,759	10,491,956
Fixed deposits	258,727,028	197,405,468
Less: Expected credit losses	(33,981)	(33,981)
	<u>267,762,651</u>	<u>207,941,277</u>

Fixed deposits with banks as at 31 December 2023 include AED 10.3 million (2022: AED 10.3 million) deposited in the name of the Company to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended) relating to Central Bank of United Arab Emirates.

Fixed deposits amounting to AED 226 million (2022: AED 168.5 million) are under lien in respect of bank credit facilities granted to the Company. All fixed deposits with banks mature within different periods not exceeding one year from the date of deposit and carry interest rates between 2% to 5.4% (2022: 1% to 4.9%) per annum. Cash and cash equivalents for the purpose of statement of cash flows are analysed as follows:

	2023	2022
	AED	AED
Cash and bank balances	267,762,651	207,941,277
Bank borrowings (note 17)	(218,486,962)	(158,788,906)
Cash and cash equivalents	<u>49,275,689</u>	<u>49,152,371</u>

13 SHARE CAPITAL

	2023	2022
	AED	AED
Issued and fully paid 230,000,000 shares of AED 1 each	<u>230,000,000</u>	<u>230,000,000</u>

14 STATUTORY RESERVE

In accordance with the UAE Commercial Companies Law No. 32 of 2021 (the "Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid-up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law. During the year, an amount of AED 0.64 million was transferred to the statutory reserve (2022: Nil).

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

15 GENERAL AND REINSURANCE RESERVE

General reserve

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors approved by a Shareholders' resolution. During the year no transfers were made to the general reserves (2022: Nil). During the year no transfers were made from general reserves to accumulated losses (2022: AED 20 million).

Reinsurance reserve

In accordance with Central Bank of United Arab Emirates' Board of Directors' Decision No. 23, Article 34, an amount of AED 1.49 million based on the reinsurance share of premium at a rate of 0.5% was transferred from accumulated losses to reinsurance reserve (2022: AED 1.14 million). The reserve is not available for distribution, and will not be disposed of without prior approval from Central Bank of United Arab Emirates.

16 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

Movement in the provision is as follows:

	2023	2022
	AED	AED
As at 1 January	6,575,008	7,612,039
Charge for the year	1,478,603	950,446
Paid during the year	(1,208,963)	(1,987,477)
As at 31 December	<u>6,844,648</u>	<u>6,575,008</u>

17 BANK BORROWINGS

	2023	2022
	AED	AED
Bank overdrafts	<u>218,486,962</u>	<u>158,788,906</u>

The Company has bank facilities in the form of overdrafts payable upon demand and bearing interest ranging from 2.65% to 5.65% per annum (2022: 1.25% to 5.15%). These facilities are secured by lien on fixed deposits amounting to AED 226 million (2022: AED 168.5 million). The bank overdraft limit provided under the facilities is AED 241 million (2022: AED 166 million).

18 OTHER PAYABLES

Other payables can be analysed as follows:

	2023	2022
	AED	AED
Payments withheld	33,877,640	28,710,469
Accrued expenses and payable to suppliers	16,834,207	11,369,978
VAT payable	3,327,691	3,973,047
Others	3,187,931	2,178,402
	<u>57,227,469</u>	<u>46,231,896</u>

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

19 LEASE LIABILITY

The Company has leases for the premises, head office building and its branch offices as at 31 December 2023. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. The Company classifies its right-of-use asset in a consistent manner to its property and equipment (see note 5). Future minimum lease payments at 31 December 2023 were as mentioned below:

	Within 1 year AED	1-2 years AED	2-3 years AED	Total AED
31 December 2023				
Lease payments	2,004,810	4,109,860	3,307,936	9,422,606
Finance charges	(432,895)	(587,709)	(157,566)	(1,178,170)
Net present values	<u>1,571,915</u>	<u>3,522,151</u>	<u>3,150,370</u>	<u>8,244,436</u>
31 December 2022				
Lease payments	1,503,608	-	-	1,503,608
Finance charges	(30,668)	-	-	(30,668)
Net present values	<u>1,472,940</u>	<u>-</u>	<u>-</u>	<u>1,472,940</u>

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset under property and equipment and lease liability, the payments in relation to these are recognised as an expense in statement of comprehensive income on a straight-line basis over the lease term. Operating lease payments represent rentals payable by the Company for its branch offices. At reporting date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2023 AED	2022 AED
Less than one year	<u>200,375</u>	188,905

20 INSURANCE SERVICE EXPENSES

2023	Life and medical AED	General and motor AED	Total AED
Incurring claims and other expenses	307,253,846	271,162,237	578,416,083
Amortisation of insurance acquisition cash flows	37,074,972	64,787,822	101,862,794
Losses on onerous contracts and reversals of those losses	-	(4,587,380)	(4,587,380)
Changes to liabilities for incurred claims	<u>99,063,565</u>	<u>(393,511)</u>	<u>98,670,054</u>
	<u>443,392,383</u>	<u>330,969,168</u>	<u>774,361,551</u>
<i>Restated</i>			
2022			
Incurring claims and other expenses	176,251,469	99,435,483	275,686,952
Amortisation of insurance acquisition cash flows	24,967,448	35,061,720	60,029,168
Losses on onerous contracts and reversals of those losses	-	550,063	550,063
Changes to liabilities for incurred claims	<u>103,165,174</u>	<u>71,289,024</u>	<u>174,454,198</u>
	<u>304,384,091</u>	<u>206,336,290</u>	<u>510,720,381</u>

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

21 TOTAL INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI in the year:

	2023 AED	2022 AED	
Investment income			
Amounts recognised in the statement of comprehensive Income			
Unallocated general and administrative expenses to investment	(11,512,771)	(10,786,046)	
Interest income	9,868,929	3,453,241	
Share of profit/(losses) from equity accounted investees (note 6)	11,326,469	(18,865,416)	
Rental income from investment property	5,919,702	5,880,661	
Dividend income from investment in financial assets at FVTPL	484,769	434,741	
Net unrealised gain from investments in financial assets at FVTPL (note 7)	2,861,716	1,066,892	
Other income/(expenses)	423,086	(674,854)	
	<u>19,371,900</u>	<u>(19,490,781)</u>	
	Life and medical AED	General and motor AED	Total AED
2023			
Insurance finance expenses from insurance contracts issued			
Interest accreted to insurance contracts using current financial assumptions	(1,513,998)	(8,802,654)	(10,316,652)
Due to changes in interest rates and other financial assumptions	(6,025)	(240,515)	(246,540)
Total insurance finance expenses from insurance contracts issued	<u>(1,520,023)</u>	<u>(9,043,169)</u>	<u>(10,563,192)</u>
Represented by:			
Amounts recognised in profit or loss	(1,520,023)	(9,043,169)	(10,563,192)
Amounts recognised in other comprehensive income	-	-	-
Reinsurance finance income from reinsurance contracts held			
Interest accreted to reinsurance contracts using current financial assumptions	645,786	7,115,788	7,761,574
Changes in non-performance risk of reinsurer	(189,885)	(66,140)	(256,025)
Due to changes in interest rates and other financial assumptions	3,626	207,870	211,496
Total reinsurance finance income from reinsurance contracts held	<u>459,527</u>	<u>7,257,518</u>	<u>7,717,045</u>
Represented by:			
Amounts recognised in the profit or loss	459,527	7,257,518	7,717,045
Amounts recognised in other comprehensive income	-	-	-
Total finance expenses and reinsurance finance income			
Represented by:			
Amounts recognised in the profit or loss	(1,060,496)	(1,785,651)	(2,846,147)
Amounts recognised in other comprehensive income	-	-	-

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

21 TOTAL INVESTMENT INCOME AND NET INSURANCE FINANCIAL RESULT (continued)

<i>2022 (Restated)</i>	Life and medical AED	General and motor AED	Total AED
Insurance finance income from insurance contracts issued			
Interest accreted to insurance contracts using current financial assumptions	(270,217)	(5,831,661)	(6,101,878)
Due to changes in interest rates and other financial assumptions	160,837	5,138,132	5,298,969
Total insurance finance (expenses)/income from insurance contracts issued	(109,380)	(693,529)	(802,909)
Represented by:			
Amounts recognised in profit or loss	(109,380)	(693,529)	(802,909)
Amounts recognised in other comprehensive income	-	-	-
Reinsurance finance expenses from reinsurance contracts held			
Interest accreted to reinsurance contracts using current financial assumptions	96,226	4,473,068	4,569,294
Changes in non-performance risk of reinsurer	(93,778)	(391,900)	(485,678)
Due to changes in interest rates and other financial assumptions	(96,424)	(3,735,412)	(3,831,836)
Total reinsurance finance expenses from reinsurance contracts held	(93,976)	345,756	251,780
Represented by:			
Amounts recognised in profit or loss	(93,976)	345,756	251,780
Amounts recognised in other comprehensive income	-	-	-
Total insurance finance income and reinsurance finance expenses			
Represented by:			
Amounts recognised in profit or loss	(203,356)	(347,773)	(551,129)
Amounts recognised in other comprehensive income	-	-	-

22 BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to shareholders by the weighted average number of shares outstanding at reporting date.

	2023	<i>(Restated)</i> 2022
Profit/(loss) for the year (AED)	6,448,750	(50,867,207)
Weighted average number of shares outstanding during the year	230,000,000	230,000,000
Basic and diluted earnings/(loss) per share (AED)	0.03	(0.22)

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

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

23 RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as per IAS 24. These transactions are carried out at terms mutually agreed between the parties. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Company, their close family members and entities controlled, jointly controlled or significantly influenced by such parties. The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

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

	2023 AED	2022 AED
Insurance premium	2,073,274	2,728,141
Insurance service expenses	(386,307)	(393,122)
<i>Compensation of key management personnel</i>		
Salaries and benefits	<u>2,526,420</u>	<u>4,063,032</u>

24 SEGMENTAL INFORMATION

Operating segment information

For management purposes the Company is organised into three operating segments, general insurance, life assurance and investments. These segments are the basis on which the Company reports its primary segment information.

	2023			
	Life and medical AED	General and motor AED	Investments AED	Total AED
Insurance premium	465,691,327	362,003,716	-	827,695,043
Insurance service expenses	(443,392,383)	(330,969,168)	-	(774,361,551)
Insurance service result before reinsurance contracts held	22,298,944	31,034,548	-	53,333,492
Allocation of reinsurance premiums	(138,211,923)	(102,437,375)	-	(240,649,298)
Amounts recoverable from reinsurance	165,381,900	46,914,415	-	212,296,315
Net income/(expenses) from reinsurance contracts held	27,169,977	(55,522,960)	-	(28,352,983)
Insurance service result	49,468,921	(24,488,412)	-	24,980,509
Investment income	-	-	19,371,900	19,371,900
Insurance finance expenses for insurance contracts issued	(1,520,023)	(9,043,169)	-	(10,563,192)
Reinsurance finance income for reinsurance contracts held	459,527	7,257,518	-	7,717,045
Net insurance financial result	48,408,425	(26,274,063)	19,371,900	41,506,262
Other operating expenses				(25,330,712)
Finance costs				(9,726,800)
Profit for the year				6,448,750

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

24 SEGMENTAL INFORMATION (continued)

	2022 (Restated)			
	Life and medical AED	General and motor AED	Investments AED	Total AED
Insurance premium	300,472,459	227,500,082	-	527,972,541
Insurance service expenses	(304,384,092)	(206,336,289)	-	(510,720,381)
Insurance service result before reinsurance contracts held	(3,911,633)	21,163,793	-	17,252,160
Allocation of reinsurance premiums	(84,717,502)	1(92,054,026)	-	(176,771,528)
Amounts recoverable from reinsurance	113,922,106	25,719,261	-	139,641,367
Net income/(expenses) from reinsurance contracts held	29,204,604	(66,334,765)	-	(37,130,161)
Insurance service result	25,292,971	(45,170,972)	-	(19,878,001)
Investment loss	-	-	(19,490,781)	(19,490,781)
Insurance finance income for insurance contracts issued	(109,380)	(693,529)	-	(802,909)
Reinsurance finance expenses for reinsurance contracts held	(93,975)	345,755	-	251,780
Net insurance financial result	25,089,616	(45,518,746)	(19,490,781)	(39,919,911)
Other operating expenses				(7,107,482)
Finance costs				(3,839,814)
Loss for the year				(50,867,207)

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

	2023			
	Life and medical AED	General and motor AED	Investments AED	Total AED
Total assets	10,163,277	549,420,482	291,000,046	850,583,805
Total equity	-	-	-	209,375,572
Total liabilities	2,670,404	638,537,829	-	641,208,233
	2022 (Restated)			
	Life and Medical AED	General and motor AED	Investments AED	Total AED
Total assets	10,903,384	461,859,378	276,811,862	749,574,624
Total equity	-	-	-	202,926,822
Total liabilities	4,121,634	542,526,168	-	546,647,802

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

24 SEGMENTAL INFORMATION (continued)

Gross written premium

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 2023	Life Insurance AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct Written Premiums	1,805,528	503,495,564	397,748,480	903,049,572
Assumed Business				
Foreign	-	-	1,124,082	1,124,082
Local	-	-	12,872,840	12,872,840
Total Assumed Business	-	-	13,996,922	13,996,922
Gross Written Premiums	1,805,528	503,495,564	411,745,402	917,046,494

31 December 2022	Life Insurance AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct Written Premiums	1,611,534	351,501,834	260,705,455	613,818,823
Assumed Business				
Foreign	-	-	266,838	266,838
Local	62,163	-	22,513,092	22,575,255
Total Assumed Business	62,163	-	22,779,930	22,842,093
Gross Written Premiums	1,673,697	351,501,834	283,485,385	636,660,916

25 CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees

	2023 AED	2022 AED
Letters of guarantee	11,934,195	12,611,698

Contingent liabilities

The Company in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and are liable estimate of the amount of outflow can be made.

Commitments

As at 30 September 2023, Al Sagr Cooperative Insurance Company (associate) had an outstanding commitment of 11.9 million Saudi Riyals in respect of purchase of investments relating to mutual fund (31 December 2022: 9.8 million Saudi Riyals).

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

26 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by UAE Federal Law No. 48 of 2023 (previously Federal Law No. 6 of 2007, as amended) concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

Section 2 of the Financial Regulations for Insurance Companies (the "Regulations") issued by the Central Bank of UAE identifies the required solvency margin to be held in addition to insurance liabilities. The solvency margin must be maintained at all times throughout the year. The Company is subject to the Regulations which has been complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these Regulations.

The table below summarises the Minimum Capital Requirement, Solvency Capital Requirement and Minimum Guarantee Fund of the Company and the total capital held to meet these solvency margins as defined in the Financial Regulations. In accordance with Circular No. CBUAE/BSN/2022/923 of CBUAE dated 28 February 2022, the Company has disclosed the solvency position for the immediately preceding period as the current year solvency position is not yet finalised.

	(Unaudited) 30 September 2023 AED	(Audited) 31 December 2022 AED
Minimum Capital Requirement (MCR)	100,000,000	100,000,000
Solvency Capital Requirement (SCR)	211,148,000	135,068,000
Minimum Guarantee Fund (MGF)	129,483,000	86,143,000
Basic Own Funds	60,180,000	50,529,000
MCR Solvency Margin – Deficit	(39,820,000)	(49,471,000)
SCR Solvency Margin – Deficit	(150,968,000)	(84,539,000)
MGF Solvency Margin – Deficit	(69,303,000)	(35,615,000)

As per Article (8) of Section 2 of the Financial Regulations for Insurance Companies issued by the Central Bank of UAE, the Company shall at all times comply with the requirements of Solvency Margins. As at 30 September 2023, the Company had minimum capital, solvency capital and minimum guarantee fund deficits of AED 39.8 million, AED 150.9 million and AED 69.3 million as compared to requirements of AED 100 million, AED 211.1 million and AED 129.5 million respectively.

27 RISK MANAGEMENT

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risks and the way the Company manages them.

27.1 Governance framework

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

27.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.2 Risk management framework (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

27.3 Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital.

27.4 Regulatory framework

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

27.5 Asset liability management (ALM)

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Company manages these positions within an ALM framework that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM (currently with the Risk committee) also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

Insurance risks

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company writes the following types of general insurance and life insurance contracts:

General insurance contracts include Liability insurance, Property insurance, Motor insurance, Fire insurance, Medical insurance, Marine insurance and Engineering insurance contracts. Life insurance contracts include Group life and Credit life insurance contracts. The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company only issues short term insurance contracts in connection with property, motor, marine and casualty risks. Two key elements of the Company's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed on the next page:

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Insurance risks (continued)

Underwriting strategy

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolio's outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio.

All general insurance contracts except marine and property, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

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

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

Property

Property insurance covers a diverse collection of risks and therefore property insurance contracts are subdivided into four risks groups, fire, business interruption, weather damage and theft. These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured. The cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruptions are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm, flood damage or other weather-related incidents.

Motor

Motor insurance contracts are designed to compensate policies holders for damage suffered to vehicles, disability to third parties arising through accidents and fire or theft of their vehicles. Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Casualty

For casualty class of business, such as workmen's compensation, personal accident, general third-party liability and loss of money, the extent of loss or damage and the potential court awards are the main factors that influence the level of claims. For casualty class of business, such as workmen's compensation, personal accident, general third-party liability and loss of money, the extent of loss or damage and the potential court awards are the main factors that influence the level of claims.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Insurance risks (continued)

Casualty (continued)

The Company manage these risks through their 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. Underwriting limits are in place to enforce appropriate risk selections.

The Company proactively manages and pursues early settlement of claims to reduce their exposure to unpredictable developments. The Company have adequate reinsurance arrangements to protect their financial viability against such claims for all classes of business.

The Company have obtained adequate non-proportionate reinsurance cover for all classes of business to limit losses to an amount considered appropriate by the management.

Medical

Medical selection is part of the Company'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 mortality and persistency, which consider past experience and current trends.

Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

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 result from what was expected. This confirm the appropriateness of assumption and in underwriting and pricing.

Concentration of risk

The Company's underwriting activities are carried out in the United Arab Emirates and other Middle East countries.

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources. Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum-security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy. The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to business unit pre-approval and the total expenditure on facultative reinsurance is monitored regularly by reinsurance department.

Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

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.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Insurance risks (continued)

Frequency and severity of claims (continued)

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 Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims. For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. For medical insurance, the main risks are illness and related healthcare costs. For group life and personal accident, the main risks are claims from death and permanent or partial disability. The Company generally does not offer medical insurance to walk-in customers. Medical, group life and personal accident insurance are generally offered to corporate customers with large population to be covered under the policy.

Frequency and amounts of claims

The Company has developed its underwriting strategy to diversify the type of insurance risks accepted and within each of the categories to achieve sufficiently large populations of risk to reduce the variability of the expected outcome. The frequency and amounts of claims can be affected by several factors. Company underwrite mainly property, motor, general accident and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking.

Sensitivity of underwriting profit and losses

The Company has exposures to risks in each class of business that may develop and that could have a material impact upon the Company's financial position. The geographical and insurance risk diversity within the Company's portfolio of issued insurance policies makes it impossible to predict whether material developments will occur and, if they do occur, the location and timing of such occurrences. The Company evaluate the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposures to levels acceptable to the Company.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company 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 Company, 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 Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Insurance risks (continued)

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company 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 Company 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 Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formula 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 loss ratios used for the current year before and after reinsurance are analyses below by line of business where the insured operates for current and prior year premium earned.

	2023		2022	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Life and medical	83%	73%	87%	73%
General	25%	27%	5%	-6%
Motor	89%	85%	109%	109%

The Company believes that the claims liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

A hypothetical 1% change in the loss ratio, net of reinsurance, would impact net underwriting income / (loss) as follows:

	31 December	
	2023 AED	2022 AED
Impact of change in loss ratio by +/- 1%		
Motor	1,997,074	1,225,062
General	29,705	(6,083)
Medical and Life	2,184,899	1,457,742
	<u>4,211,678</u>	<u>2,676,721</u>

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

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 Company's quarterly claims reports and screening of the actual insurance contracts carried out at the reporting date to derive data for the contracts held. The Company 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.

Reinsurance risk

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

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

Sensitivities

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.

2023	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
Risk Adjustment	+1%	3,587,760	1,800,633	3,587,760	1,800,633
Discount rate	-1%	(3,587,760)	(1,800,633)	(3,587,760)	(1,800,633)
Risk adjustment	+1%	1,841,801	909,570	1,841,801	909,570
Discount rate	-1%	(1,877,029)	(927,248)	(1,877,029)	(927,248)

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Sensitivities (continued)

	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
2022 (<i>Restated</i>)					
Risk Adjustment	+1%	3,191,595	1,746,917	3,191,595	1,746,917
Discount rate	-1%	(3,191,595)	(1,746,917)	(3,191,595)	(1,746,917)
Risk Adjustment	+1%	1,373,879	538,556	1,373,879	538,556
Discount rate	-1%	(1,386,486)	(542,399)	(1,386,486)	(542,399)

Financial risk

The table below sets out the classification of each class of financial assets and liabilities along with their fair values. For financial assets and liabilities carried at amortised cost, management believes that the amortised cost of those instruments approximates to their fair values.

	FVTPL AED	Amortised cost AED	Total AED
2023			
<i>Financial assets</i>			
Investment in financial assets at FVTPL (note 7)	22,266,295	-	22,266,295
Due from related parties	-	12,793,779	12,793,779
Other receivables (excluding prepayments) (note 11)	-	21,800,776	21,800,776
Cash and bank balances (note 12)	-	267,762,651	267,762,651
	22,266,295	302,357,206	324,623,501
<i>Financial liabilities</i>			
Bank borrowings (note 17)	-	218,486,962	218,486,962
Other payables (note 18)	-	57,227,469	57,227,469
Lease liability (note 19)	-	8,244,436	8,244,436
	-	283,958,867	283,958,867
2022			
<i>Financial assets</i>			
Investment in financial assets at FVTPL (note 7)	19,404,579	-	19,404,579
Due from related parties	-	14,629,709	14,629,709
Other receivables (excluding prepayments) (note 11)	-	15,926,683	15,926,683
Cash and bank balances (note 12)	-	207,941,277	207,941,277
	19,404,579	238,497,669	257,902,248
<i>Financial liabilities</i>			
Bank borrowings (note 17)	-	158,788,906	158,788,906
Other payables (note 18)	-	46,231,896	46,231,896
Lease liability (note 19)	-	1,472,940	1,472,940
	-	206,493,742	206,493,742

The Company has exposure to the following primary risks from its use of financial instruments and operations:

- (i) Credit risk;
- (ii) Liquidity risk;
- (iii) Market risk; and
- (iv) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Financial risk (continued)

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment. For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date. Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurer's and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

At each reporting date, management performs an assessment of creditworthiness of reinsurers' and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	2023	2022
	AED	AED
<i>Financial assets</i>		
Due from related parties	12,793,779	14,629,709
Other receivables (excluding prepayments) (note 11)	21,800,776	15,926,683
Bank balances (note 12)	267,677,806	207,863,443
	<u>302,272,361</u>	<u>238,419,835</u>

ii) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarises the maturity profile of the financial assets and financial liabilities of the Company based on remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given.

	Less than 1 year AED	1-5 years AED	Total AED
2023			
Financial assets			
Financial assets at FVTPL (note 7)	22,266,295	-	22,266,295
Due from related parties	-	12,793,779	12,793,779
Other receivables (excluding prepayments) (note 11)	21,800,776	-	21,800,776
Cash and bank balances (note 12)	267,762,651	-	267,762,651
	<u>311,829,722</u>	<u>12,793,779</u>	<u>324,623,501</u>
Financial liabilities			
Other payables (note 18)	57,227,469	-	57,227,469

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Financial risk (continued)

ii) Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	Total AED	
2022				
Financial assets				
Financial assets at FVTPL (note 7)	19,404,579	-	19,404,579	
Due from related parties	-	14,629,709	14,629,709	
Other receivables (excluding prepayments) (note 11)	15,926,683	-	15,926,683	
Cash and bank balances (note 12)	207,941,277	-	207,941,277	
	<u>243,272,539</u>	<u>14,629,709</u>	<u>257,902,248</u>	
Financial liabilities				
Other payables (note 18)	46,231,953	-	46,231,953	
	Less than 1 year AED	1-5 years AED	5+ years AED	Total AED
2023				
Insurance contract assets (note 10)	29,406,946	(9,539,273)	(2,541)	19,865,132
Reinsurance contract assets (note 10)	130,551,758	18,499,778	7,526	149,059,062
	<u>159,958,704</u>	<u>8,960,505</u>	<u>4,985</u>	<u>168,924,194</u>
Insurance contract liabilities (note 10)	251,120,320	28,299,519	7,530	279,427,369
Reinsurance contract liabilities (note 10)	73,299,826	(2,321,482)	(995)	70,977,349
	<u>324,420,146</u>	<u>25,978,037</u>	<u>6,535</u>	<u>350,404,718</u>
<i>2022 (Restated)</i>				
Insurance contract assets (note 10)	18,007,555	(1,644,074)	(690)	16,362,791
Reinsurance contract assets (note 10)	119,116,294	17,493,414	12,003	136,621,711
	<u>137,123,849</u>	<u>15,849,340</u>	<u>11,313</u>	<u>152,984,502</u>
Insurance contract liabilities (note 10)	279,294,336	25,906,789	13,317	305,214,442
Reinsurance contract liabilities (note 10)	28,647,210	(282,393)	(207)	28,364,610
	<u>307,941,546</u>	<u>25,624,396</u>	<u>13,110</u>	<u>333,579,052</u>

iii) Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

a) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the U.A.E Dirham. The Company has exposures in USD, which is pegged with AED and the Company's exposure to currency risk is limited to that extent, since almost all reinsurance arrangements are denominated in USD.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Financial risk (continued)

iii) Market Risk (continued)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate relates to its bank deposits. As at 31 December 2023, fixed deposits carried interest rates ranging from 2% to 5.4% (2022: 1% to 4.9%) per annum.

If interest rates had been 100 basis points lower throughout the year and all other variables were held constant, the Company's net profit for the year ended 31 December 2023 would decrease by approximately AED 2.59 million (2022: net loss would increase by approximately AED 1.97 million). Similarly increase in interest by 100 basis points would result in equal and opposite effect on profit for the year.

The Company is exposed to interest rate risk on:

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

c) Equity price risk

Equity price risk is the risk that the fair value of a financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and equity by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		10% decrease in price	
	Profit or loss AED	Other comprehensive income AED	Profit or loss AED	Other comprehensive income AED
31 December 2023				
Fair value through profit or loss	2,226,630	-	(2,226,630)	-
31 December 2022				
Fair value through profit or loss	1,940,458	-	(1,940,458)	-

iv) Operational Risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

Al-Sagr National Insurance Company (PSC)

Notes to the financial statements For the year ended 31 December 2023

27 RISK MANAGEMENT (continued)

27.5 Asset liability management (ALM) (continued)

Financial risk (continued)

iv) Operational Risk (continued)

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

28 CORPORATE TAX

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE. The CT regime will become effective for accounting periods beginning on or after 1 June 2023.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted. A rate of 9% will apply to taxable income exceeding AED 375,000, a rate of 0% will apply to taxable income not exceeding AED 375,000.

For the Company, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. In accordance with IAS 12 income Taxes, the Company has assessed the deferred tax implications for the year ended 31 December 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not material.