Al Dhafra Insurance Company P.S.C.

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2022

Al Dhafra Insurance Company P.S.C.
Audited Financial Statements

For the year ended 31 December 2022

Composition of Board of Directors

Chairman:	H.E Sheikh Mohamed Bin Sultan Bin Soroor Al Dhahiry
Deputy Chairman:	H.E. Yousef Bin Mohammad Ali Nasser Al Nowais
Directors:	H.E. Sh. Ahmed Moh'd Sultan Suroor Al Dhahiri
	Mr. Rashid Saeed Ahmad Saeed Ghobash
	H.E Sh. Sultan Bin Saeed Bin Sultan Surour Al Dhahiri
	H.E. Saif Mubarak Saif Al Riyami
	Mr. Mohamed Saeed Ahmad Omran Al Mazroi
	Mr. Mohamed Hussain Jasim Naser Al Nowais
	Ms. Rauda Abdullah Al Dhahiri
General Manager	Mr. Kamal Sartawi
Address:	P.O. Box 319 Abu Dhabi United Arab Emirates
External auditors:	Grant Thornton - UAE

Al Dhafra Insurance Company P.S.C.
Audited Financial Statements

For the year ended 31 December 2022

Table of contents

THE BOARD OF DIRECTORS' 43rd ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2022

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of Al Dhafra Insurance Company P.S.C. (the "Company") and present to you the 43rd Annual Report regarding the business activities of the Company during 2022 as well as the financial statements for the year ended 31st December 2022 along with Auditor's Report.

At the outset, the Board of Directors would like to express their appreciation and utmost respect to His Highness Sheikh Mohamad Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates for their continuous limitless support and patronage for National institutions and Companies. All credits for the progress and stability achieved by the Country go to our wise leadership.

Business environment of the year under report is a continuation of the previous year where the market is experiencing fierce competition among Insurance companies with motor insurance premium going down to unprecedent low level. Despite this challenging situation our company managed to achieve satisfactory results as narrated in the report.

We give here below summary of various aspects of the balance sheet

Gross and Net premium

The gross premium written for the year ended 31 December 2022 amounted to AED 317,445,982 (2021: AED 314,513,507), depicting an increase of 0.93%.

The net retained premium for the year ended 31 December 2022 amounted to AED 74,945,191 (2021: AED 85,752,490), showing a decrease of (12.60 %).

Gross and Net claims

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The gross claims paid by the Company during the year amounted to AED 193,699,024 (2021: AED 130,479,069), depicting an increase of 48.45%.

Net claims paid during the year amounted to AED 40,428,137 (2021: AED 33,586,590), depicting an increase of 20.37%.

Technical Provisions

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The net technical provisions (excluding deferred acquisition costs and unearned commission income) at 31 December 2022 amounted to AED 98,331,362 (2021: AED 101,363,205).

The net technical provision for the current year is hence 132% of the retained premium compared to118% in 2021.

Figures relating to Different classes of Insurance

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Gross written Premiums	2022 (AED)	2021 (AED)
Marine	72,100,637	62,325,945
Other classes of business	245,345,345	252,187,562
Total	317,445,982	314,513,507

Gross Paid Claims	2022 (AED)	2021 (AED)
Marine	17,852,031	4,511,780
Other classes of business	175,846,993	125,967,289
Total	193,699,024	130,479,069

Net Technical Provisions	2022 (AED)	2021 (AED)
Marine	4,359,408	4,552,057
Other classes of business	93,971,954	96,811,148
Total	98,331,362	101,363,205

Investments:

The total investments including investment properties of the Company stand at AED 427,501,141 as at 31 December 2022 (2021: AED 414,848,312), showing an increase of 3.05%.

It is worth mentioning that most of the investments of company are within the U.A.E. All available cash are deposited in the banks within the U.A.E.

General, administrative and other operating expenses:

The general, administrative and other expenses for the year amounted to AED 41,209,254 (2021: AED 42,821,600).

Profits for the year

The profit of the Company from insurance and investment activities for the year under review is AED 27,639,741 (2021: AED 38,638,957).

The Company's branches and offices

The Company has branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Bida Zayed, Baniyas, Musaffah, and in the Traffic Department of Abu Dhabi in addition to branches in Dubai and Sharjah.

Shareholders' Equity

Shareholder's Equity decreased from the amount of AED 463 million in 2021 to AED 451 million, a decrease rate of (2.59%), which is partially attributable to the decrease in the market value of the company's portfolio of Stocks.

The total assets increased from AED 1119 million in 2021 to AED 1133 million, with an increase of 1.27%.

Distribution of profit

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The net profit for the year of AED 27,639,741 achieved by the Company (After Provision of Directors' Remuneration and staff Bonus shown below) with the retained profit from the previous years amounted to a distributable income of AED 109,001,200. We recommend appropriation of the above profit as follows:

Details of Appropriation	AED
- To be distributed as cash dividend	30,000,000
- Board of Directors Remuneration	3,375,000
- Staff Bonus	2,817,000
- To be carried forwarded to the subsequent year	72,809,200

Plan for the year 2023

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Company will continue its efforts to maintain its performance irrespective of the current market scenario.

Recommendations of Board of Directors to Shareholders:

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The Board of Directors is pleased to present the following recommendations to the Ordinary General Assembly of the Shareholders of the Company for their approval.

1. Listen to and approve the Board of Director's Report on the Company's activity and its financial position for the fiscal year ended 31/12/2022.
2. Listen to and approve the Auditor's Report for the fiscal year ended on 31/12/2022.
3. Discuss and approve the Company's balance sheet and profit and loss account for the fiscal year ended on 31/12/2022.
4. Consider the Board of Director's proposals concerning the distribution of profits by 30% of the nominal value of the share as a cash dividend of AED 30 million at 0.30 fils per share.
5. Approve a proposal concerning the remuneration of the members of the Board of Director's.
6. Consider the Board of Director's proposals concerning the staff Bonus for the year 2022 for a total amount of AED 2,817,000/-

7. Discharge the members of the Board of Directors for the fiscal year ended on 31/12/2022, or remove them and file a liability action against them, as the case may be.
8. Discharge the auditors for the fiscal year ended 31/12/2022, or remove them and file a liability action against them, as the case may be.
9. Appoint the auditors for the year 2023 and determine their fees.

Conclusion:

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The Board of Directors would like to praise Company's clients, reinsurance companies and brokers for their strong support and confidence in the Company and also the persistent efforts of the management and staff of the Company who did their best to serve the Company.

On behalf of the Board of Directors

Chairman

Grant Thornton Audit and Accounting Limited – Abu Dhabi

Office 1101, 11th Floor
Al Kamala Tower
Zayed the 1st Street
Khalidiya
Abu Dhabi, UAE

T +971 2 666 9750
www.grantthornton.ae

Independent Auditor's Report
To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Dhafra Insurance Company P.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2022 and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premiums reserve, outstanding claims reserve, incurred but not reported claims reserve and unallocated loss adjustment expenses reserve as disclosed in Note 11 to the financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and persistency (including consideration of policyholder behavior).

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions (continued)

Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's calculations of the technical reserves by performing the following procedures:

- Understood the governance process in place to determine the insurance contract liabilities;
- Tested the underlying Group data to source documentation on sample basis;
- Evaluated competence, capabilities and objectivity of management's actuarial specialist;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

ii) Revenue recognition

Gross premiums comprise the total premium receivable for the whole period of cover by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of net retained premiums is provided for as an unearned premium reserve to cover portions of risk that have not expired at the reporting date. The reserve is required to be calculated in accordance with the requirements of the UAE Insurance Law relating to insurance companies.

We assessed management's calculation of gross premiums amounting to AED 317,445,982 and net unearned premium reserve amounting to AED 35,949,070 (Note 11) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premium on policies are accounted for on the date of inception of policies, by testing a sample of revenue items to policy contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premium reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated the unearned premium reserve based on the earning period of policy contracts existing as of 31 December 2022.
- We tested written policies on a sample basis where revenue was recorded close to year-end and subsequent to year-end and evaluated whether these were recorded in the appropriate accounting period

Independent Auditor's Report
To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information contained in the financial statements which comprises the information included in the *Board of Directors' Report*, but which does not include the financial statements and our auditors' 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and 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. 6 of 2007, 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 ISA 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 ISA, 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 Dhafra Insurance Company P.S.C.

Report on the Audit the Financial Statements (continued)

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

- Obtain an understanding of internal controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Decree Law No. 32 of 2021, as amended, we report that:

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

Independent Auditor's Report
To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on Other Legal and Regulatory Requirements (continued)

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Decree Law No. 32 of 2021, as amended;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Board of Directors' Report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) as disclosed in notes 8 and 9 to the financial statements, the Company has purchased and sold shares during the year ended 31 December 2022;

vi) note 13 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

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 2022 any of the applicable provisions of the Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Decree Law No. 32 of 2021, as amended, or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2022.

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 16 February 2023

Al Dhafra Insurance Company P.S.C.
Financial Statements

Statement of financial position
For the year ended 31 December 2022

	Notes	2022 AED	2021 AED
ASSETS			
Property and equipment	3	**831,555**	1,270,692
Intangible assets	4	**3,232,583**	3,287,444
Right-of-use-assets	5	**6,698,531**	4,305,866
Investment properties	6	**70,012,225**	65,812,225
Statutory deposits	7	**9,980,000**	9,980,000
Investments carried at fair value through other comprehensive income	8	**240,956,595**	245,695,433
Investments carried at fair value through profit and loss	9	**116,532,321**	103,340,654
Insurance balances receivable	10	**106,743,675**	99,869,670
Deferred acquisitions costs		**19,776,740**	23,221,362
Reinsurer's share of unearned premium reserve	11	**94,011,229**	89,822,167
Reinsurer's share of outstanding claims reserves	11	**187,068,272**	181,060,392
Reinsurer's share of claims incurred but not reported reserve	11	**70,346,227**	70,375,343
Prepayments and other receivables	10	**5,771,772**	6,861,229
Deposits	12	**176,988,081**	165,330,125
Cash and cash equivalents	12	**24,543,655**	49,090,158
TOTAL ASSETS		**1,133,493,461**	1,119,322,760
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**100,000,000**	100,000,000
Legal reserve	15	**50,000,000**	50,000,000
General reserve	15	**145,000,000**	145,000,000
Investment revaluation reserve	15	**49,703,235**	54,442,073
Reinsurance reserve	15	**3,488,946**	2,260,256
Retained earnings		**102,809,200**	111,398,149
TOTAL EQUITY		**451,001,381**	463,100,478
LIABILITIES			
Provision for employees' end of service benefits	16	**7,293,748**	8,456,579
Lease liabilities	5	**6,538,945**	4,015,012
Insurance payables	17	**175,474,753**	156,978,257
Other payables	17	**22,257,737**	22,279,429
Unearned commission income		**21,169,807**	21,871,898
Technical provisions			
Unearned premium reserve	11	**129,960,299**	133,985,913
Outstanding claims reserve	11	**217,848,199**	208,070,108
Claims incurred but not reported reserve	11	**89,394,349**	89,971,813
Unallocated loss adjustment expense reserve	11	**5,949,553**	5,556,468
Unexpired risk reserve (premium deficiency reserve)	11	**6,604,690**	5,036,805
TOTAL LIABILITIES		**682,492,080**	656,222,282
TOTAL EQUITY AND LIABILITIES		**1,133,493,461**	1,119,322,760

These financial statements were approved by the Board of Directors on 09 February 2023 and signed on their behalf by:

Assistant General Manager - Finance | General Manager | Board member

The accompanying notes from 1 to 30 form an integral part of these financial statements.

AL DHAFRA INSURANCE CO. P.S.C. - FAD 1 ABU DHABI

Statement of profit or loss
For the year ended 31 December 2022

	Notes	2022 AED	2021 AED
Gross premiums written	20	**317,445,982**	314,513,507
Reinsurance premium ceded	20	**(242,500,791)**	(228,761,017)
Net premium	20	**74,945,191**	85,752,490
Net change in unearned premium		**8,214,676**	(7,504,787)
Net premium earned		**83,159,867**	78,247,703
Commission earned		**54,937,177**	54,975,676
Commission incurred		**(52,607,496)**	(44,962,768)
Gross underwriting income		**85,489,548**	88,260,611
Gross claims paid	21	**(193,699,024)**	(130,479,069)
Reinsurance share of claims paid	21	**153,270,887**	96,892,479
Net claims paid	21	**(40,428,137)**	(33,586,590)
Change in outstanding claims reserve		**(9,778,091)**	(46,465,182)
Change in reinsurer's share of outstanding claims reserve		**6,007,880**	46,505,629
Change in claims incurred but not reported reserve, net		**548,348**	4,927,743
Change in unexpired risk reserve, net		**(1,567,885)**	(3,990,244)
Change in unallocated loss adjustment expense reserve		**(393,085)**	(1,068,437)
Net claims incurred		**(45,610,970)**	(33,677,081)
Underwriting income		**39,878,578**	54,583,530
Other income relating to underwriting		**9,013,699**	2,355,120
General and administrative expenses relating to underwriting	23	**(2,073,533)**	(3,207,005)
Net underwriting income		**46,818,744**	53,731,645
Income from investments	22	**18,083,966**	22,457,922
Income from investment properties (rental income), net	6	**1,987,437**	2,060,485
Other income, net		**(114,686)**	3,500
		66,775,461	78,253,552
General and administrative expenses	23	**(38,984,886)**	(39,420,128)
Finance cost		**(150,834)**	(194,467)
PROFIT FOR THE YEAR	18	**27,639,741**	38,638,957
Basic and diluted earnings per share	19	**0.28**	0.39

The accompanying notes from 1 to 30 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2022

	Note	**2022 AED**	2021 AED
Profit for the year		**27,639,741**	38,638,957
Other comprehensive income / (loss)			
Items that will not be subsequently reclassified to profit or loss:			
Change in fair value relating to investments carried at fair value through other comprehensive income	8	**(4,738,838)**	75,138,697
Other comprehensive (loss) / income for the year		**(4,738,838)**	75,138,697
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**22,900,903**	113,777,654

The accompanying notes from 1 to 30 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2022

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Reinsurance reserve AED	Retained earnings AED	Total equity AED
Balance as at 1 January 2021	100,000,000	50,000,000	145,000,000	(20,696,624)	1,101,777	113,917,671	389,322,824
Net profit for the year	-	-	-	-	-	38,638,957	38,638,957
Other comprehensive income for the year	-	-	-	75,138,697	-	-	75,138,697
Total comprehensive income for the year	-	-	-	75,138,697	-	38,638,957	113,777,654
Dividends declared and paid (note 14)	-	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to reinsurance reserve	-	-	-	-	1,158,479	(1,158,479)	-
Balance as at 31 December 2021	100,000,000	50,000,000	145,000,000	54,442,073	2,260,256-	111,398,149	463,100,478
Balance as at 1 January 2022	100,000,000	50,000,000	145,000,000	54,442,073	2,260,256	111,398,149	463,100,478
Net profit for the year	-	-	-	-	-	27,639,741	27,639,741
Other comprehensive loss for the year	-	-	-	(4,738,838)	-	-	(4,738,838)
Total comprehensive income for the year	-	-	-	(4,738,838)	-	27,639,741	22,900,903
Dividends declared and paid (note 14)	-	-	-	-	-	(35,000,000)	(35,000,000)
Transfer to reinsurance reserve	-	-	-	-	1,228,690	(1,228,690)	-
Balance as at 31 December 2022	**100,000,000**	**50,000,000**	**145,000,000**	**49,703,235**	**3,488,946**	**102,809,200**	**451,001,381**

The accompanying notes from 1 to 30 form an integral part of these financial statements

Statement of cashflows
For the year ended 31 December 2022

	Notes	31 December 2022 AED	31 December 2021 AED
OPERATING ACTIVITIES			
Profit for the year		**27,639,741**	38,638,957
Adjustments for:			
Unearned premium and unexpired risk reserve, net		**(6,646,791)**	11,495,031
Change in outstanding claims and claims incurred but not reported reserves		**9,593,712**	68,706,873
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		**(5,978,764)**	(72,606,626)
Reversal of expected credit loss on insurance receivable	22	**-**	(211,083)
Change in fair value of investments carried at fair value through profit or loss	9, 22	**179,728**	(7,708,323)
Gain on disposal of investments carried at fair value through profit or loss	22	**(343,432)**	433,080
Provision for employees' end of service benefits	16	**526,551**	535,310
Depreciation of property and equipment and right-of-use asset	23	**1,819,388**	1,938,533
Amortisation of intangible assets	23	**996,862**	848,920
Finance cost		**150,834**	194,467
Gain on termination of lease contract		**-**	(186,988)
Gain on disposal of property and equipment		**(114,686)**	(3,500)
Dividends income		**(10,236,700)**	(8,843,742)
Interest income		**(5,724,655)**	(6,408,518)
Change in the fair value of the investment properties		**(2,100,000)**	-
		9,761,788	26,822,391
Working capital changes:			
Insurance receivable, other receivables and prepayments		**(4,974,914)**	5,838,995
Insurance and other payables		**18,474,803**	(12,391,097)
Deferred acquisition costs		**3,444,622**	(6,788,603)
Unearned commission income		**(702,091)**	24,239
Cash generated from operations		**26,004,208**	13,505,924
Employees' end of service benefits paid	16	**(1,689,382)**	(420,383)
Net cash generated from operating activities		**24,314,826**	13,085,541
INVESTING ACTIVITIES			
Purchase of property and equipment	3	**(262,335)**	(527,650)
Proceeds from disposal of property and equipment		**229,462**	3,500
Purchase of intangible assets	4	**(1,051,456)**	(318,585)
Purchase of investments carried at fair value through profit or loss		**(47,342,124)**	(99,192,681)
Proceeds from disposal of investment carried at fair value through profit and loss		**34,314,161**	43,263,533
Purchase of investments carried at fair value through other comprehensive income		**-**	(177,999)
Additions to investment properties		**(2,100,000)**	-
Proceeds from disposal of investment carried at fair value through other comprehensive income		**-**	177,999
Additional placement in term deposits		**(11,657,956)**	17,877,976
Interest received		**4,915,021**	8,179,968
Dividends received		**10,236,700**	8,843,742
Net cash used in investing activities		**(12,718,527)**	(21,870,197)
FINANCING ACTIVITIES			
Dividends paid	14	**(35,000,000)**	(40,000,000)
Lease liability instalment paid		**(1,142,802)**	(1,006,377)
Net cash used in financing activities		**(36,142,802)**	(41,006,377)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,546,503)**	(49,791,033)
Cash and cash equivalents at the beginning of the year		**49,090,158**	98,881,191
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**24,543,655**	49,090,158

The accompanying notes from 1 to 30 form an integral part of these financial statements.

1 Legal status and principal activities

Al Dhafra Insurance Company P.S.C. (the "Company"), is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Federal Decree-Law No. 24 of 2020 which amends certain provisions of the U.A.E Federal Law No. 6 of 2007 on Establishment of Central Bank of the United Arab Emirates and Organisation of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the CBUAE.

On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015 (as amended) The Company is in compliance with applicable provisions of the UAE Federal Decree Law No. 32 of 2021 as at the date of these financial statements.

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Company for the year ended 31 December 2022.

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

The Company is engaged in insurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

2 General information

2.1 Basis of preparation

The financial statements are prepared on an accrual basis under the historical cost convention except for investment properties and certain financial instruments that are measured at fair values as at the end of each reporting date.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Decree Law No. 32 of 2021, Concerning the Commercial Companies which has come into effect from 2 January 2022 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional and presentational currency of the Company.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 25.

2 General information (continued)

2.2 Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2022

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

Standard number	Title	Effective date
IFRS 3	Reference to the Conceptual Framework (Amendments to IFRS 3	1 January 2022
IAS 16	Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
IAS 37	Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018–2020	1 January 2022

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

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company

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.

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2023 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

IFRS 17 Insurance Contracts (1 January 2023): Once effective IFRS 17 will replace IFRS 4 the current insurance contracts standard and it is expected to significantly change the way Company measures and reports its insurance contracts. The overall objective of the new standard is to provide an accounting model for insurance contracts that is more useful and consistent for users. IFRS 17 applies to insurance contracts (including reinsurance contracts) an entity issues, reinsurance contracts an entity holds and investment contracts with discretionary participation features an entity issues provided it also issues insurance contracts.

The scope of IFRS 17 for the Company is materially consistent with that of IFRS 4. Investment contracts will be measured under IFRS 9. IFRS 17 requires that contracts are divided into groups for the purposes of recognition and measurement. Portfolios of contracts are identified by grouping together contracts which have similar risks and are managed together. These groups are then further divided into groups based on their expected profitability.

2 General information (continued)

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

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company (continued)

Contracts which are onerous at inception cannot be grouped with contracts which are profitable at inception. Contracts which are issued more than one year apart are not permitted to be included within the same group, although there is some relief from this requirement for business in-force at the date of transition under the transitional arrangements.

The standard introduces three measurement approaches, of which two, the general model and the premium allocation approach, are applicable to the Group's business. The main features of these models are the measurement of an insurance contract as the present value of expected future cash flows including acquisition costs, plus an explicit risk adjustment, remeasured at each reporting period using current assumptions, and a contractual service margin ('CSM').

The risk adjustment represents the compensation the Group requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk as the obligations under the insurance contract are fulfilled.

The CSM represents the unearned profit of a group of insurance contracts and is recognised in profit or loss as the insurance service is provided to the customer using coverage units. Coverage units are a measurement of the quantum of service provided across the life of the contract and are used to measure the service provided in the reporting period and release a corresponding amount of profit to the income statement. If a group of contracts becomes loss-making after inception the loss is recognised immediately in the income statement. This treatment of profits and losses in respect of services is broadly consistent with the principles of IFRS 15 and IAS 37 applicable to other industries.

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. For certain contracts with participating features the variable fee approach is applied, this allows changes in economic assumptions and experience to adjust the CSM as well as non-economic assumptions, reflecting the variable nature of the entity's earnings driven by investment returns. IFRS 17 requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a simplified retrospective approach or a fair value approach to determine the contractual service margin. The measurement principles set out in IFRS 17 will significantly change the way in which the Company measures its insurance contracts , and associated reinsurance contracts.

These changes will impact the pattern in which profit emerges when compared to IFRS 4 and add complexity to valuation processes, data requirements and assumption setting. The introduction of IFRS 17 will simplify the presentation of the statement of financial position. It requires the presentation of groups of insurance (or reinsurance) contracts that are in an asset position separately from those in a liability position. The presentation of the income statement will change more significantly with IFRS 17 setting out how components of the profitability of contracts are disaggregated into an insurance service result and insurance finance income/expenses. IFRS 17 also requires extensive disclosures on the amounts recognised from insurance contracts and the nature and extent of risks arising from them.

Premium allocation approach: The Premium allocation approach is an optional simplified measurement model in IFRS 17 that is available for insurance and reinsurance contracts that meet the eligibility criteria.

2 General information (continued)

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

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company (continued)

The Company expects that it will apply the PAA to majority contracts in the Non-life segment because the following criteria are expected to be met at inception.

- Insurance contracts and loss-occurring reinsurance contracts: The coverage period of each contract in the group is one year or less.

Risk-attaching reinsurance contracts: The Company reasonably expects that the resulting measurement of the asset for remaining coverage would not differ materially from the result of applying the accounting policies described above.

Under IFRS 17, the measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group. Compared with the current accounting, the Group expects that for certain contracts the IFRS 17 contract boundary requirements will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts. The period covered by the premiums within the contract boundary is the 'coverage period', which is relevant when applying a number of requirements in IFRS 17.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs.
Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognized as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts.

Impact assessment – Non-Life Insurance
Although the PAA is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-life contracts.

Changes from IFRS 4	**Impact on equity on transition to IFRS 17**
Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Group does not currently discount such future cash flows.	Increase
IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non- financial risk. This is not explicitly allowed for currently.	Decrease
The Company's accounting policy under IFRS 17 to expense eligible insurance acquisition cash flows when they are incurred differs from the current practice under which these amounts are recognised separately as deferred acquisition costs.	Decrease

The Company's implementation project continued through 2022 with a focus on finalising methodologies and developing the operational capabilities required to implement the standard including data, systems and business processes. The current focus is on embedding the operational capabilities and determining the transition balance sheet and comparatives required for 2023 reporting.

Since the implementation project is currently ongoing, management believes that it is impractical to determine the amount of the effect of IFRS 17 in the current period.

2.3 Significant accounting policies

Financial assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and insurance balances receivable)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

Cash and cash equivalents
Cash and cash equivalents which include cash on hand, cash at banks and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Financial assets at amortised cost
The Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2.3 Significant accounting policies (continues)

Financial assets (continued)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

*Financial assets at fair value through profit or loss (*continued)
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of income when the right of payment has been established.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, insurance receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2.3 Significant accounting policies (continues)

Financial assets (continued)

For insurance receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 240 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Receivables and payables related to insurance contracts
Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration receivable/payable. Subsequent to initial recognition, insurance receivables and payables are measured at amortised cost, using the Effective Interest Rate ("EIR") method. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

a) There is a currently enforceable legal right to offset the recognised amounts; and
b) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement
The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

2.3 Significant accounting policies (continues)

Fair value measurement (continued)

The principal or the most advantageous market must be accessible to by the Company.

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.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3 Significant accounting policies (continues)

Fair value measurement (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.3 Significant accounting policies (continued)

Insurance contracts

Classification

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.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to occurrence of the insured event as compared to the non - occurrence. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Premiums

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium reserve

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premium reserve is calculated as follows

- For marine cargo line of business, the total unearned premium reserve is provided as a minimum of 25% of the total premium written during the year (individual shipment only).
- For engineering line of business, it is assumed that the pattern of risk is non-uniform, and accordingly, premiums are allocated and earned on a daily increasing basis over the term of policy period. The unearned premium reserve is calculated as the sum of earned premiums across all months after the valuation date; and
- For the remaining lines of businesses, the premiums are assumed to be earned evenly over time and the unearned premium reserve is calculated on a daily pro rata basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.3 Significant accounting policies (continued)

Insurance contracts (continued)

Unexpired risk reserve
Unexpired risk reserve represent the portion of the premium subsequent to the reporting date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

Provision for premium deficiency / liability adequacy test
Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions. This reserve is recorded under the heading of unearned premium reserve in the financial statements.

Claims
Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Reinsurance
The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

2.3 Significant accounting policies (continued)

Insurance contracts (continued)

Deferred acquisition cost and Unearned commission income
At the end of each reporting period, portion of commission income and portion of commission expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

Insurance contract liabilities
Insurance contract liabilities include claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for unallocated loss adjustment expenses (ULAE).

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date, in addition for claims incurred but not reported.

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

The liability relating to IBNR, IBNER, ULAE and PDR reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.3 Significant accounting policies (continued)

Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance cost
Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	4 years
Motor vehicles	3 years
Computer equipment and accessories	5 years
Building	25 years

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

2.3 Significant accounting policies (continued)

Property and equipment (continued)

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

Intangible assets

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes purchase cost, together with any incidental expenses of acquisition. The amortisation charge is calculated so as to write off the cost of the intangible asset on a straight-line basis over the expected useful economic life of 6 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period with the effect of any changes in estimation accounted for on a prospective basis.

Investment properties

Investment properties are properties 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 properties are measured at fair value with any change therein recognised in operating income in the statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Company holds investment properties which are disclosed in note 6.

Revenue - non insurance

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease and is stated net of related expenses.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income

Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income

Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realised and unrealised gain

Net gains/losses on financial assets classified at fair value through profit or loss and fair value through other comprehensive income are described under the accounting policy for financial assets and liabilities.

2.3 Significant accounting policies (continued)

Foreign currency

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the statement of income.

Provisions

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. Where the effect of time value of money is material, 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, where appropriate, the risks specific to the liability.

Staff end of service benefits

Defined benefit plan

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Defined contribution plan

The Company pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (7) of 1999 for Pension and Social Security.

Dividend

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.4 Significant accounting judgements and estimates

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements.

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

2.4 Significant accounting judgements and estimates (continued)

Judgements (continued)

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Company develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2 Inventories, IAS 16 Property, Plant and Equipment and IAS 40 Investment Property, and in particular, the intended usage of property as determined by management.

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

Determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Liability adequacy test
The Company maintains a provision in respect of premium deficiency for the line of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that line of business at the reporting date. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. The movement in the premium deficiency reserve (unexpired risk reserve) is recorded as an expense / income in profit or loss for the year.

Leases - estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provision for expected credit losses of insurance receivables
The Company uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross insurance receivables were AED 124,223,481 (2021: AED 123,502,168) and the provision for expected credit losses was AED 17,479,806 (2021: AED 23,632,498). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the statement of income.

Provision for unearned premium reserve and unexpired risk reserve
Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 42,553,760 (2021: AED 49,200,551).

Provision for incurred but not reported claims (IBNR)
Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of IBNR reserve (net of related reinsurance asset) is AED 19,048,122 (2021: AED 19,596,470).

Provision for outstanding claims
Provision for outstanding claims include provision for ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims. ULAE reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation The carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ULAE reserves) is AED 36,729,480 (2021: AED 32,566,184).

2.4 Significant accounting judgements and estimates (continued)

Judgments (continued)

Reinsurance
The Company is exposed to disputes with, and possibility of defaults by its reinsurer. The Company monitors on a monthly basis the evolution of disputes with and the strength of its reinsurer.

Estimation of fair value of investment properties
The fair value of investment properties is determined by independent real estate valuation consultants based on Discounted Cash Flow (DCF) and Investment Method of Valuation. The Investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at fair value.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. The amount of change in fair value recognised in the statement of income for the year is AED 2,100,000 (2021: NIL).

Notes to the financial statements (continued)
For the year ended 31 December 2022

3 Property and equipment

	Furniture and fittings AED	Motor vehicles AED	Computer equipment and accessories AED	Total AED
Cost				
At 1 January 2021	2,977,508	1,401,433	3,049,934	7,428,875
Additions during the year	95,141	-	432,509	527,650
Disposals during the year	(221,880)	-	(37,555)	(259,435)
At 31 December 2021	2,850,769	1,401,433	3,444,888	7,697,090
Additions during the year	101,551	100,000	60,784	262,335
Disposals during the year	(144,220)	-	(345,550)	(489,770)
At 31 December 2022	**2,808,100**	**1,501,433**	**3,160,122**	**7,469,655**
Accumulated depreciation				
At 1 January 2021	2,823,381	1,008,044	2,063,354	5,894,779
Charge for the year	161,681	224,620	404,753	791,054
Disposals during the year	(221,880)	-	(37,555)	(259,435)
At 31 December 2021	2,763,182	1,232,664	2,430,552	6,426,398
Charge for the year	147,253	198,198	350,700	696,151
Disposals during the year	(141,422)	-	(343,027)	(484,449)
At 31 December 2022	**2,769,013**	**1,430,862**	**2,438,225**	**6,638,100**
Carrying amount				
As at 31 December 2022	**39,087**	**70,571**	**721,897**	**831,555**
As at 31 December 2021	87,587	168,769	1,014,336	1,270,692

4 Intangible assets

	Computer software AED	Capital work in progress AED	Total AED
Cost			
Balance at 1 January 2022	**10,153,932**	**-**	**10,153,932**
Additions	**1,051,456**	**-**	**1,051,456**
Disposal	**(3,372,947)**	**-**	**(3,372,947)**
Balance at 31 December 2022	**7,832,441**	**-**	**7,832,441**
Accumulated amortization			
Balance at 1 January 2022	**6,866,488**	**-**	**6,866,488**
Amortization for the year	**996,862**	**-**	**996,862**
Disposal	**(3,263,492)**	**-**	**(3,263,492)**
Balance at 31 December 2022	**4,599,858**	**-**	**4,599,858**
Carrying amount	**3,232,583**	**-**	**3,232,583**
Cost			
Balance at 1 January 2021	7,889,187	1,946,160	9,835,347
Additions and transfers	2,264,745	(1,946,160)	318,585
Disposal	-	-	-
Balance at 31 December 2021	10,153,932	-	10,153,932
Accumulated amortization			
Balance at 1 January 2021	6,017,568	-	6,017,568
Amortization for the year	848,920	-	848,920
Disposal	-	-	-
Balance at 31 December 2021	6,866,488	-	6,866,488
Carrying amount	3,287,444	-	3,287,444

5 Leases

The carrying amounts of the Company's right-of-use assets is as follows:

	2022 AED	2021 AED
Cost		
Balance at 1 January	**7,504,855**	7,363,753
Adjustment for revised lease term	**3,515,902**	141,102
Termination	**-**	-
Balance at 31 December	**11,020,757**	7,504,855
Accumulated depreciation		
Balance at 1 January	**3,198,989**	2,051,510
Depreciation for the year	**1,123,237**	1,147,479
Termination	**-**	-
Balance at 31 December	**4,322,226**	3,198,989
Carrying amount	**6,698,531**	4,305,866

5 LEASES (continued)

Lease liabilities are as follows:

	2022	2021
	AED	AED
Within one year	**1,188,053**	1,195,243
One to ten years	**5,350,892**	2,819,769
	6,538,945	4,015,012

6 INVESTMENT PROPERTIES

	Abu Dhabi land and building AED	Al Ain land and building AED	Total AED
Balance at 1 January 2021	55,089,680	10,722,545	65,812,225
Change in fair value	-	-	-
At 31 December 2021	55,089,680	10,722,545	65,812,225
Balance at 1 January 2022	**55,089,680**	**10,722,545**	**65,812,225**
Additions	**2,100,000**	**-**	**2,100,000**
Change in fair value	**2,100,000**	**-**	**2,100,000**
At 31 December 2022	**59,289,680**	**10,722,545**	**70,012,225**

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively.

The fair value of the Company's investment properties as at 31 December 2022 and 2021 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Company. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of investment properties is determined using market-based approach and discounted cash flow (DCF) model.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms. factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

6 Investment properties (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2022				
Investment properties	**-**	**38,000,000**	**32,012,225**	**70,012,225**
31 December 2021				
Investment properties	-	38,000,000	27,812,225	65,812,225

There were no transfers between Level 1, Level 2 and Level 3 during current and previous year.

Following is the summary of valuation techniques and inputs used in the valuation of investment properties:

Property	Valuation technique	Significant unobservable inputs
Abu Dhabi and Al Ain buildings	Discounted cash flow (DCF)	Estimated rental value per annum, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, as follows: • Abu Dhabi property AED 4,742,000; and • Al Ain property AED 1,035,000. Discount rate, taking into consideration the risk premium between prime and sub-prime properties and the capacity to earn rentals, range from 7%.

The Company earns rental income from its investment properties. The rental income and direct operating expenses arising on the investment properties are as follows:

	2022 AED	2021 AED
Rental income	**2,664,963**	2,745,958
Direct operating expenses	**(677,526)**	(685,473)
	1,987,437	2,060,485

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

7 Statutory deposits

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the Central Bank of the United Arab Emirates.

	2022 AED	2021 AED
Statutory deposit	**10,000,000**	10,000,000
Expected credit losses	**(20,000)**	(20,000)
	9,980,000	9,980,000

8 Investments carried at fair value through other comprehensive income

	2022 AED	2021 AED
Quoted UAE equity securities	**240,956,595**	245,695,433

The movement in the investments at fair value through other comprehensive income is as follows:

	2022 AED	2021 AED
Fair value at beginning of the year	**245,695,433**	170,556,736
Additions	**-**	177,999
Disposals	**-**	(177,999)
Change in fair value	**(4,738,838)**	75,138,697
Fair value at end of the year	**240,956,595**	245,695,433

9 Investments carried at fair value through profit or loss

	2022 AED	2021 AED
Managed funds (i)	**65,384,332**	51,133,441
Quoted UAE equity securities	**40,399,926**	36,048,600
Quoted debt securities (ii)	**4,183,636**	10,476,326
Unquoted equity security	**6,564,427**	5,682,287
	116,532,321	103,340,654

(i) It represents investment in equity and credit funds

(ii) Quoted debts securities carry interest at a rate ranging from 4.23% to 7.00% (2021: from 4.23% to 7.00%) per annum.

9 Investments carried at fair value through profit or loss (continued)

The movement in investments at fair value through profit or loss is as follows:

	2022 AED	2021 AED
Fair value at beginning of the year	**103,340,654**	40,136,263
Additions	**47,342,124**	99,192,681
Disposals	**(33,970,729)**	(43,696,613)
Change in fair value (note 22)	**(179,728)**	7,708,323
Fair value at end of the year	**116,532,321**	103,340,654

10 Insurance balances receivables, prepayments and other receivables

	2022 AED	2021 AED
Due from policy holders	**84,079,679**	85,545,554
Due from policy holders – related parties (note 13)	**341,138**	170,363
Due from reinsurance companies	**7,165,975**	4,755,730
Due from insurance companies, broker and agents	**32,636,689**	33,030,521
	124,223,481	123,502,168
Less: allowance for impairment	**(17,479,806)**	(23,632,498)
Insurance balances receivable	**106,743,675**	99,869,670
Prepayments	**1,117,184**	3,063,138
Interest receivables	**2,414,170**	1,604,536
Other receivables	**2,240,418**	2,193,555
Prepayments and other receivables	**5,771,772**	6,861,229
	112,515,447	106,730,899

Receivables at gross value before impairment charge of AED 17,479,806 (2021: AED 23,632,498) were impaired.

10 Insurance balances receivables, prepayment and other receivables (continued)

The movement in the allowance for impaired receivables is as follows:

	2022 AED	2021 AED
At 1 January	**23,632,498**	23,843,581
Charge for the year	**-**	-
Amount written off	**(6,152,692)**	(211,083)
At 31 December	**17,479,806**	23,632,498

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

As at 31 December, the ageing of insurance balances receivable is as follows:

	Total AED	0-180 days AED	180-240 days AED	>240 days AED
31 December 2022				
Expected credit loss rate		**2.94%**	**2.11%**	**22.74%**
Estimated total gross carrying amount at default	**124,223,481**	**40,249,352**	**13,571,300**	**70,402,829**
Expected credit loss	**17,479,806**	**1,181,515**	**285,678**	**16,012,613**
31 December 2021				
Expected credit loss rate		8.22%	3.45%	25.67%
Estimated total gross carrying amount at default	123,502,168	36,915,900	18,974,792	67,611,476
Expected credit loss	23,632,498	3,034,631	654,894	17,353,236

Geographical concentration of insurance balances receivable and its ageing are as follows:

	31 December 2022			31 December 2021		
	Inside UAE AED	**Outside UAE AED**	**Total AED**	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	**84,079,679**	**-**	**84,079,679**	84,291,723	1,253,831	85,545,554
Due from policy holders - related parties	**341,138**	**-**	**341,138**	170,363	-	170,363
Due from reinsurance companies	**6,059,351**	**1,106,624**	**7,165,975**	1,734,443	3,021,286	4,755,729
Due from insurance companies, broker and agents	**30,055,767**	**2,580,922**	**32,636,689**	31,195,254	1,835,268	33,030,522
	120,535,935	**3,687,546**	**124,223,481**	117,391,783	6,110,385	123,502,168
Less: allowance for impairment	**(17,479,806)**	**-**	**(17,479,806)**	(23,632,498)	-	(23,632,498)
Net insurance balances receivable	**103,056,129**	**3,687,547**	**106,743,675**	93,759,285	6,110,385	99,869,670

10 Insurance balances receivables, prepayment and other receivables (continued)

	31 December 2022			31 December 2021		
	Inside UAE AED	**Outside UAE AED**	**Total AED**	Inside UAE AED	Outside UAE AED	Total AED
0 to 180 days	**38,948,604**	**1,300,748**	**40,249,352**	34,544,374	2,371,526	36,915,900
181 to 365 days	**12,664,581**	**906,719**	**13,571,300**	32,657,788	1,170,337	33,828,125
More than 365 days	**68,922,750**	**1,480,079**	**70,402,829**	49,430,384	3,327,759	52,758,143
	120,535,935	**3,687,546**	**124,223,481**	116,632,546	6,869,622	123,502,168
Less: allowance for impairment	**(17,479,806)**	**-**	**(17,479,806)**	(23,632,498)	-	(23,632,498)
Net insurance balances receivable	**103,056,129**	**3,687,546**	**106,743,675**	93,000,048	6,869,622	99,869,670

11 Insurance contract liabilities and reinsurance contract assets

	2022 AED	2021 AED
Insurance contract liabilities		
Outstanding claims reserve	**217,848,199**	208,070,108
Claims incurred but not reported reserve	**89,394,349**	89,971,813
Unearned premiums reserve	**129,960,299**	133,985,913
Unallocated loss adjustment expense reserve	**5,949,553**	5,556,468
Unexpired risk reserve (premium deficiency reserve)	**6,604,690**	5,036,805
	449,757,090	442,621,107
Reinsurance contract assets		
Outstanding claims reserve	**187,068,272**	181,060,392
Claims incurred but not reported reserve	**70,346,227**	70,375,343
Unearned premiums reserve	**94,011,229**	89,822,167
	351,425,728	341,257,902
Insurance liabilities – net		
Outstanding claims reserve	**30,779,927**	27,009,716
Claims incurred but not reported reserve	**19,048,122**	19,596,470
Unearned premiums reserve	**35,949,070**	44,163,746
Unallocated loss adjustment expense reserve	**5,949,553**	5,556,468
Unexpired risk reserve (premium deficiency reserve)	**6,604,690**	5,036,805
	98,331,362	101,363,205

11 Insurance contract liabilities and reinsurance contract assets (continued)

The reserves are allocated to the lines of business as follows:

	Outstanding claims reserve AED	Claims incurred but not reported reserve AED	Unearned premiums reserve AED	Unallocated loss adjustment reserve AED	Unexpired risk reserve AED	Total AED
31 December 2022 (gross)						
Motor	**67,921,810**	**39,911,784**	**49,994,014**	**2,216,181**	**3,930,002**	**163,973,791**
Fire	**67,920,062**	**18,187,780**	**17,740,579**	**1,564,434**	**-**	**105,412,855**
Medical	**8,907,288**	**6,824,635**	**24,494,782**	**338,348**	**2,674,688**	**43,239,741**
Engineering	**21,320,463**	**4,663,638**	**10,436,802**	**459,716**	**-**	**36,880,619**
Marine	**43,400,607**	**16,226,193**	**24,004,596**	**1,137,795**	**-**	**84,769,191**
Workman compensation and third-party liability	**7,260,721**	**2,981,769**	**2,929,767**	**198,364**	**-**	**13,370,620**
Other lines of business	**1,117,248**	**598,550**	**359,759**	**34,715**	**-**	**2,110,273**
	217,848,199	**89,394,349**	**129,960,299**	**5,949,553**	**6,604,690**	**449,757,090**
31 December 2021 (gross)						
Motor	49,598,645	36,125,996	60,754,712	1,827,759	4,122,244	152,429,356
Fire	79,776,103	22,473,916	16,081,613	1,607,121	-	119,938,753
Medical	10,378,918	6,657,025	21,640,361	355,395	914,561	39,946,260
Engineering	21,544,372	5,562,316	12,374,100	490,035	-	39,970,823
Marine	43,179,508	16,297,937	20,078,692	1,136,631	-	80,692,768
Workman compensation and third-party liability	2,450,281	1,692,548	2,717,251	87,531	-	6,947,611
Other lines of business	1,142,281	1,162,075	339,184	51,996	-	2,695,536
	208,070,108	89,971,813	133,985,913	5,556,468	5,036,805	442,621,107

Movement in the insurance contract liabilities and reinsurance contract assets during the year are as follows:

	31 December 2022			31 December 2021		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims:						
Outstanding claims (including ULAE)	**213,626,576**	**181,060,392**	**32,566,184**	166,092,958	134,554,763	31,538,195
Incurred but not reported	**89,971,813**	**70,375,343**	**19,596,470**	68,798,559	44,274,346	24,524,213
Total at 1 January	**303,598,389**	**251,435,735**	**52,162,654**	234,891,517	178,829,109	56,062,408
Claims settled	**(193,699,024)**	**(153,270,887)**	**(40,428,137)**	(130,479,069)	(96,892,479)	(33,586,590)
Increase in liabilities	**203,292,736**	**159,249,651**	**44,043,085**	199,185,941	169,499,105	29,686,837
Total at 31 December	**313,192,101**	**257,414,499**	**55,777,602**	303,598,389	251,435,735	52,162,654
Outstanding claims (including ULAE)	**223,797,752**	**187,068,272**	**36,729,480**	213,626,576	181,060,392	32,566,185
Incurred but not reported	**89,394,349**	**70,346,227**	**19,048,122**	89,971,813	70,375,343	19,596,470
Total at 31 December	**313,192,101**	**257,414,499**	**55,777,602**	303,598,389	251,435,735	52,162,654

11 Insurance contract liabilities and reinsurance contract assets (continued)

	31 December 2022			31 December 2021		
	Gross AED	Reinsurance AED	Total AED	Gross AED	Reinsurance AED	Net AED
Unearned premium:						
Total at 1 January	**133,985,913**	**89,822,167**	**44,163,746**	122,189,223	85,530,265	36,658,958
Increase during the year	**129,960,299**	**94,011,229**	**35,949,070**	314,513,507	228,761,017	85,752,490
Release during the year	**(133,985,913)**	**(89,822,167)**	**(44,163,746)**	(302,716,817)	(224,469,115)	(78,247,702)
Net decrease during the year	**(4,025,614)**	**4,189,062**	**(8,214,676)**	11,796,690	4,291,902	7,504,788
Total at 31 December	**129,960,299**	**94,011,229**	**35,949,070**	133,985,913	89,822,167	44,163,746

Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Unallocated Loss Adjustment Expenses Reserve (ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. IBNR claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are 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 the future, for example, 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 conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Unexpired risk reserve (URR) are calculated by external actuaries using a selection of actuarial methods on those lines of business where the unearned premiums is not adequate to meet the expected future liabilities from claims, commissions and expenses. Actuaries analysed the expected losses on the in-force policies separately for each of these lines of business using a selection of actuarial method. Actual commission payouts and expected expenses on the in-force portfolio were used to calculate premium deficiency reserves. PDR also includes consideration of cost of capital or other profit loadings. Additional URR is held for lines of business where the risk is not linear across the policy term.

12 Cash and cash equivalents

	2022 AED	2021 AED
Cash on hand	**286,850**	393,086
Current accounts	**24,256,805**	48,697,072
Term deposits*	**176,988,081**	165,330,125
Bank balances and cash	**201,531,736**	214,420,283
Less: term deposits with an original maturity of more than three months	**(176,988,081)**	(165,330,125)
Cash and cash equivalents	**24,543,655**	49,090,158

*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 31 December 2022 (2021: AED 392,227).

Geographical concentration of cash and bank balances is as follows:

	2022 AED	2021 AED
Within UAE	**201,531,736**	214,420,283

The interest rate on term deposits and current accounts with banks ranges between 2.0% and 4.85% (2021: 0.25% and 2.85%) per annum. All bank balances are held in local banks in the United Arab Emirates.

13 Related party transactions and balances

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Directors are expected to avoid any action, position or interest that conflict with an interest of the Company. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors for their review and approval. When a potential conflict of interest arises, Directors concerned neither participates in the discussions nor exercise any influence over other members of the Board. If a major shareholder or a Director has any conflict of interests with any matter to be considered by the Board of Director and the Board of Directors determines that such a matter is significant, the decision thereon by the Board of Directors shall be made in the presence of all Directors and in the absence of the interested Director's vote.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the directors, managing director and his direct reports.

13 Related party transactions and balances (continued)

The following balances were outstanding at the end of the reporting period:

	Nature of relationship	**2022 AED**	2021 AED
Due from policyholders – related parties (note 10)	*Affiliates*	**341,138**	170,363

Transactions with related parties during the period are as follows:

	Nature of relationship	**2022 AED**	2021 AED
Gross premiums written	*Affiliates*	**1,858,248**	1,588,076
Claims paid	*Affiliates*	**1,321,716**	416,697
Remuneration of the Directors (note 17)		**3,375,000**	4,500,000

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Remuneration of key management personnel

	2022 AED	2021 AED
Short term benefits	**2,349,720**	2,349,720
Post-employment benefits	**114,907**	114,906
	2,464,627	2,464,626

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

14 Share capital

	2022 AED	2021 AED
Authorised, issue and fully paid:		
100,000,000 (2021: 100,000,000) ordinary shares of AED 1 each	**100,000,000**	100,000,000

Dividends:
Subsequent to year end on 9 February 2023, the Board of Directors declared a cash dividend of 0.30 fils per share amounting to AED 30,000,000 (2021: 0.35 fils per share amounting to AED 35,000,000).

15 Reserves

Legal reserve

In accordance with the UAE Federal Law Number 32 of 2021 and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

General reserve

Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

Investment revaluation reserve

Investments revaluation reserve represents the accumulated unreleased gains or losses that are recognised on investments carried at fair value through other comprehensive income at reporting date.

Reinsurance reserve

The transfer from retained earnings to reinsurance default reserve is made in accordance with the Insurance Authority (IA) of UAE's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations. The directive requires to allocate an amount equals to 0.5% of the total reinsurance premiums ceded by the Company in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the Company or default in its financial position.

16 Provision for employees' end of service benefit

	2022	2021
	AED	AED
At 1 January	**8,456,579**	8,341,652
Charge for the year	**526,551**	535,310
Paid during the year	**(1,689,382)**	(420,383)
At 31 December	**7,293,748**	8,456,579

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 229,703 (2021: AED 181,700).

17 Insurance and other payables

	2022 AED	2021 AED
Due to policy holders	**54,276,683**	42,118,472
Due to insurance companies	**43,249,073**	41,774,416
Due to reinsurance companies	**21,707,157**	15,271,037
Premium reserve withheld	**56,241,840**	57,814,333
Insurance payables	**175,474,753**	156,978,258
Dividend payable	**5,281,154**	5,283,005
Fee payable to Central Bank of UAE	**1,204,584**	1,238,063
Deferred income	**1,229,423**	1,338,213
Remuneration of the Directors	**3,375,000**	4,500,000
Other payables	**11,167,576**	9,920,148
Other payables	**22,257,737**	22,279,429
	197,732,490	179,257,687

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Geographical concentration of insurance payables is as follows:

	31 December 2022			31 December 2021		
	Inside UAE AED	**Outside UAE AED**	**Total AED**	Inside UAE AED	Outside UAE AED	Total AED
Due to policy holders	**54,108,706**	**167,977**	**54,276,683**	40,061,782	2,056,690	42,118,472
Due to insurance companies	**42,083,675**	**1,165,398**	**43,249,073**	38,969,613	2,804,803	41,774,416
Due to reinsurance companies	**909,734**	**20,797,423**	**21,707,157**	642,843	14,628,194	15,271,037
	97,102,115	**22,130,798**	**119,232,913**	79,674,238	19,489,687	99,163,925

18 Profit for the year

Profit for the year is stated after charging:

	2022 AED	2021 AED
Staff costs (note 23)	**26,677,479**	26,927,187
Depreciation of property, equipment and right-of-use assets (note 23)	**1,819,388**	1,938,533
Amortisation of intangible assets (notes 4 & 23)	**996,862**	848,920

19 Basic and diluted earnings per share

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

	2022 AED	2021 AED
Profit for the year (AED)	**27,639,741**	38,638,957
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.28**	0.39

As of 31 December 2022 and 2021, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

20 Net premiums

	Gross premiums written		Reinsurance premiums ceded		Net premiums	
	2022	2021	**2022**	2021	**2022**	2021
	AED	AED	**AED**	AED	**AED**	AED
Motor	**94,603,934**	111,552,361	**53,393,834**	62,517,437	**41,210,100**	49,034,924
Fire	**77,828,424**	66,404,636	**69,560,208**	60,559,638	**8,268,216**	5,844,998
Medical	**47,697,637**	44,750,543	**32,709,433**	25,082,410	**14,988,204**	19,668,133
Engineering	**15,490,490**	20,301,359	**14,587,361**	19,413,415	**903,129**	887,944
Marine	**72,100,637**	62,325,945	**67,669,641**	57,017,474	**4,430,996**	5,308,471
Workmen's compensation and third-party liability	**7,289,201**	7,011,418	**2,703,440**	2,539,948	**4,585,761**	4,471,471
Other lines of business	**2,435,659**	2,167,245	**1,876,874**	1,630,695	**558,785**	536,549
	317,445,982	314,513,507	**242,500,791**	228,761,017	**74,945,191**	85,752,490

21 Net claims paid

	Gross claims paid		Reinsurance share of claims paid		Net claims paid	
	2022	2021	**2022**	2021	**2022**	2021
	AED	AED	**AED**	AED	**AED**	AED
Motor	**82,453,995**	66,512,374	**60,551,078**	45,724,556	**21,902,917**	20,787,818
Fire	**43,748,809**	15,316,348	**42,194,815**	14,692,861	**1,553,994**	623,487
Medical	**38,396,476**	36,195,640	**23,445,039**	24,844,579	**14,951,437**	11,351,061
Engineering	**8,922,419**	5,446,161	**8,797,463**	5,331,361	**124,956**	114,800
Marine	**17,852,031**	4,511,779	**17,690,993**	4,305,843	**161,038**	205,936
Workmen's compensation and third-party liability	**1,759,988**	421,432	**86,000**	40,513	**1,673,988**	380,919
Other lines of business	**565,306**	2,075,335	**505,499**	1,952,766	**59,807**	122,569
	193,699,024	130,479,069	**153,270,887**	96,892,479	**40,428,137**	33,586,590

22 Income from investments

	2022	2021
	AED	AED
Dividend income	**10,236,700**	8,843,742
Interest income	**5,724,655**	6,408,518
Change in fair value of investments carried at fair value through profit or loss (note 9)	**(179,728)**	7,708,323
Change in fair value of investment properties	**2,100,000**	-
Gain / (loss) on sale of investments carried at fair value through profit or loss	**308,423**	(423,395)
Other investment expenses	**(106,084)**	(79,266)
	18,083,966	22,457,922

23 General and administrative expenses

	2022 AED	2021 AED
Staff costs (note 18)	**26,677,479**	26,927,187
Remuneration of the Directors (note 13)	**3,375,000**	4,500,000
Legal and professional fees	**2,181,534**	1,791,687
Central Bank of UAE fees	**1,204,578**	1,238,057
Depreciation of property and equipment and right-of-use assets (note 3, 5 & 18)	**1,819,388**	1,938,533
Travelling and communication	**1,337,528**	910,933
Amortisation of intangible assets (note 4 & 18)	**996,862**	848,920
Printing and stationery	**352,738**	374,065
Interest expense on withheld reinsurance balance	**-**	999,258
Training cost	**317,446**	314,513
Repair and maintenance	**879,761**	577,938
Other expenses	**1,916,105**	2,206,042
	41,058,419	42,627,133
Allocated to:		
Underwriting	**2,073,533**	3,207,005
Other expenses	**38,984,886**	39,420,128
	41,058,419	42,627,133

24 Risk management

Governance framework

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

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position. The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements within the United Arab Emirates where it operates.

24 Risk management (continued)

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity funds provided by shareholders.

The Company has had no significant changes in its policies and processes relating to its capital structure during the previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve, reinsurance reserve and retained earnings, and is measured at AED 451 million as at 31 December 2022 (2021: AED 463 million).

On 28 December 2014, the Insurance Authority (now Central Bank of the UAE) issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Central Bank of the UAE allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	2022	2021
	AED	AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**135,894,308**	148,607,079
Minimum Guarantee Fund (MGF)	**45,298,103**	49,304,271
Own Funds		
Basic Own Funds	**254,937,880**	262,741,703
Ancillary Own Funds	**-**	-
MCR Solvency Margin surplus	**154,937,880**	162,741,703
SCR Solvency Margin surplus	**119,043,572**	114,134,624
MGF Solvency Margin surplus	**209,639,777**	213,437,432

25 Insurance and financial risk

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, 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 subject to regulatory requirements within the jurisdictions in which it operates. 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 insurance companies to meet unforeseen liabilities as these arise.

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE.

The major highlights of the new regulation is summarized in the below table:

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Compay shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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

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

25 Insurance and financial risk (continued)

Insurance risk (continued)

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

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 Company'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. 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.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 500,000 for motor and workmen's compensation and third-party liability AED 300,000 in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

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.

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. 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. Claims requiring court or arbitration decisions are estimated individually by independent loss adjusters along with the Company's internal legal counsel.

25 Insurance and financial risk (continued)

Insurance risk (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 end of the reporting period.

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 formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimated loss ratios are analysed below by class of business for the current and previous year:

	31 December 2022		*31 December 2021*	
	Gross loss ratio	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**201%**	**134%**	136%	99%
Non-motor	**139%**	**104%**	136%	86%

Process used to decide on assumptions

The risks associated with the 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 end of the reporting period to derive data for the contracts held. The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. 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 Company's accident years within the same class of business.

25 Insurance and financial risk (continued)

Insurance risk (continued)

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis for motor and non-motor:

Accident year	*2017 and earlier*	*2018*	*2019*	*2020*	*2021*	*2022*	*Total*
Non-Motor- Gross:	*AED*	*AED*	*AED*	*AED*	*AED*	*AED*	*AED*
At the end of the accident year	952,840,906	82,742,058	102,212,379	120,905,317	140,982,060	151,303,566	1,550,986,285
One year later	909,171,488	71,732,711	89,212,349	106,699,514	113,330,972	-	1,290,147,034
Two years later	907,723,079	63,897,042	106,034,886	101,042,746	-	-	1,178,697,753
Three years later	896,923,778	60,475,572	84,027,489	-	-	-	1,041,426,840
Four years later	897,380,609	52,849,860	-	-	-	-	950,230,469
Five years later	887,722,669	-	-	-	-	-	887,722,669
Current estimate of cumulative payments	887,722,669	52,849,860	84,027,489	101,042,746	113,330,972	151,303,566	1,390,277,303
Cumulative payments to date	870,305,162	50,555,756	74,762,320	79,176,797	72,687,003	43,381,312	1,190,868,350
Liability recognized in the statement of financial position	17,417,507	2,294,103	9,265,169	21,865,949	40,643,969	107,922,254	199,408,953
Motor- Gross:							
At the end of the accident year	534,374,005	121,908,015	92,203,877	67,490,132	74,645,744	106,419,476	997,041,249
One year later	513,333,981	101,760,899	84,244,582	61,314,576	81,002,315	-	841,656,352
Two years later	513,917,144	103,983,590	86,585,891	60,246,708	-	-	764,733,333
Three years later	498,519,696	104,618,802	85,317,886	-	-	-	688,456,384
Four years later	498,811,290	101,937,621	-	-	-	-	600,748,911
Five years later	497,520,364	-	-	-	-	-	497,520,364
Current estimate of cumulative payments	497,520,364	101,937,621	85,317,886	60,246,708	81,002,315	106,419,476	932,444,349
Cumulative payments to date	492,138,183	95,845,916	78,052,819	50,993,237	59,414,534	48,166,086	824,610,775
Liability recognized in the statement of financial position	5,382,181	6,091,705	7,265,067	9,253,472	21,587,781	58,253,389	107,833,594

Concentration of insurance risk

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

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

25 Insurance and financial risk (continued)

Insurance risk (continued)

Concentration of insurance risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

	31 December 2022		*31 December 2021*	
	Gross AED	**Net AED**	Gross AED	Net AED
Motor				
UAE	**949,817,154**	**291,653,896**	3,937,748,346	1,181,324,504
Non-motor				
UAE	**206,413,229,886**	**2,683,517,423**	169,904,994,978	2,639,567,972
GCC Countries	**13,763,225,472**	**163,355**	11,517,375,540	-
	220,176,455,358	**2,683,680,778**	181,422,370,518	2,639,567,972
Grand Total	**221,126,272,512**	**2,975,334,674**	185,360,118,864	3,820,892,476

Sensitivity of underwriting profit and losses

The insurance operations of the Company resulted in a segment profit of AED 46,818,744 (2021: AED 53,731,645).

• The Company has an overall risk retention level in the region of 1.35% (2021: 2.06%) and the Company is adequately covered by proportional and non-proportional programs to guard against major financial impact.

• The Company has net commission earnings of AED 2,329,681 during the year against AED 10,012,908 in 2021 from underwriting operations, predominantly from the reinsurance placement which remains as a comfortable source of income.

Credit risk

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

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and fixed deposits and bonds.

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

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

25 Insurance and financial risk (continued)

Credit risk (continued)

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

For receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company's five largest customers account for 23% of outstanding accounts receivable at 31 December 2022 (2021: 29%).

At 31 December 2022 and 2021, all term deposits were placed with banks within UAE. Management is confident that this concentration of liquid assets at year-end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

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 is exposed to market risk with respect to its investment securities. The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect the market movements, including analysis of the operational and financial performance of investees.

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned above and all the other variables were held constant:
<u>For investments measured at fair value through profit or loss</u>
Fair value would have increased/decreased by AED 4,039,993 (2021: AED 3,604,860).

<u>For investments measured at fair value through other comprehensive income</u>
Changes in revaluation reserves of shares would increase/decrease by AED 24,095,660 (2021: AED 24,569,543) as a result of the changes in fair value of quoted shares.

25 Insurance and financial risk (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is exposed to interest rate risk on its investment in bonds and term deposits that carry fixed interest rates which are detailed in Notes 9 and 12, respectively.

The Company generally tries to minimise the interest rate risk by closely monitoring the market interest rates and investing in those financial assets in which such risk is expected to be minimal.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year.

As all the interest-bearing financial assets and liabilities of the Company carry fixed interest rates, the Company is not subject to fluctuation of interest rate at the reporting date.

Currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The Company's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Company is not subject to significant currency risk.

Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2022 and 31 December 2021, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED	Non-current >1 year AED	Total AED
31 December 2022			
Provision for employees' end of service	**-**	**7,293,748**	**7,293,748**
Lease liabilities	**1,188,053**	**5,350,892**	**6,538,945**
Insurance and other payables	**197,732,490**	**-**	**197,732,490**
Insurance contract liabilities	**449,757,090**	**-**	**449,757,090**
	648,677,633	**12,644,640**	**661,322,273**
31 December 2021			
Provision for employees' end of service	-	8,456,579	8,456,579
Lease liabilities	1,195,243	2,819,769	4,015,012
Insurance and other payables	179,257,687	-	179,257,687
Insurance contract liabilities	442,621,107	-	442,621,107
	623,074,037	11,276,348	634,350,385

25 Insurance and financial risk (continued)

Liquidity risk (continued)

The expected maturity profile of the assets at 31 December 2022 and 2021 is as follows:

	Less than one year	More than one year	No maturity date	Total
	AED	AED	AED	AED
31 December 2022				
Property and equipment	-	-	831,555	831,555
Intangible assets	-	-	3,232,583	3,232,583
Right-of-use-assets	-	-	6,698,531	6,698,531
Investment properties	-	-	70,012,225	70,012,225
Statutory deposits	-	-	9,980,000	9,980,000
Deferred acquisition costs	19,776,740	-	-	19,776,740
Investments carried at fair value through other comprehensive income	-	240,956,595	-	240,956,595
Investments carried at fair value through profit or loss	116,532,321	-	-	116,532,321
Insurance balances receivable	106,743,675	-	-	106,743,675
Reinsurer's share of unearned premium reserve	94,011,229	-	-	94,011,229
Reinsurer's share of outstanding claims reserve	187,068,272	-	-	187,068,272
Reinsurer's share of claims incurred but not reported reserve	70,346,227	-	-	70,346,227
Prepayments and other receivables	5,771,763	-		5,771,763
Deposits	176,988,081	-	-	176,988,081
Bank balances and cash	24,543,655	-	-	24,543,655
	801,781,972	240,956,595	90,754,894	1,133,493,452

25 Insurance and financial risk (continued)

Liquidity risk (continued)

	Less than one year	More than one year	No maturity date	Total
	AED	AED	AED	AED
31 December 2021				
Property and equipment	-	-	1,270,692	1,270,692
Intangible assets	-	-	3,287,444	3,287,444
Right-of-use-assets	-	-	4,305,866	4,305,866
Investment properties	-	-	65,812,225	65,812,225
Statutory deposits	-	-	9,980,000	9,980,000
Deferred acquisition costs	23,221,362	-	-	23,221,362
Investments carried at fair value through other comprehensive income	-	245,695,433	-	245,695,433
Investments carried at fair value through profit or loss	103,340,654	-	-	103,340,654
Insurance balances receivable	99,869,670	-	-	99,869,670
Reinsurer's share of unearned premium reserve	89,822,167	-	-	89,822,167
Reinsurer's share of outstanding claims reserve	181,060,392	-	-	181,060,392
Reinsurer's share of claims incurred but not reported reserve	70,375,343	-	-	70,375,343
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	-	-	-	-
Prepayments and other receivables	6,861,229	-	-	6,861,229
Deposits	165,330,125	-	-	165,330,125
Bank balances and cash	49,090,158	-	-	49,090,158
	788,971,100	245,695,433	84,656,227	1,119,322,760

Except for employees' end of service benefits of AED 7,293,748 (2021: AED 8,456,579) and the non-current portion of lease liabilities amounting to AED 5,350,892 (2021: AED 2,819,769), the Company expects its liabilities of AED 669,847,440 (2021: AED 623,074,037) to mature in less than twelve months from the reporting date.

26 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the reporting date.

26 Fair value of financial instruments (continued)

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2022 and 31 December 2021:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2022				
Investments carried at fair value through other comprehensive income	**240,956,595**	**-**	**-**	**240,956,595**
Investments carried at fair value through profit and loss	**44,583,562**	**65,384,332**	**6,564,427**	**116,532,321**
	285,540,157	**65,384,332**	**6,564,427**	**357,488,916**
31 December 2021				
Investments carried at fair value through other comprehensive income	245,695,433	-	-	245,695,433
Investments carried at fair value through profit and loss	46,524,926	51,133,441	5,682,287	103,340,654
	292,220,359	51,133,411	5,682,287	349,036,087

Valuation technique:
Level 1: Quoted bid prices in an active market
Level 2: Valuation based on selected observable market inputs
Level 3: Net assets value based on audited financials

During the reporting periods ended 31 December 2022 and 31 December 2021, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

27 Segment reporting

27.1 Segment revenue and results

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

The following summary describes the two main business segments:

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

27 Segment reporting (continued)

27.1 Segment revenue and results (continued)

Information regarding the Company's reportable segments is presented below:

	31 December 2022			31 December 2021		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	372,383,159	21,034,741	393,417,900	369,489,183	17,574,823	387,064,006
Direct costs	(332,504,581)	(783,610)	(333,288,191)	(314,905,653)	(764,739)	(315,670,392)
Other underwriting income	9,013,699	-	9,013,699	2,355,120	-	2,355,120
Other underwriting expenses	(2,073,533)	-	(2,073,533)	(3,207,005)	-	(3,207,005)
Non-cash investment gain/(loss)	-	(179,728)	(179,728)	-	7,608,323	7,708,323
Segment profit	46,818,744	20,071,403	66,890,147	53,731,645	24,518,407	78,250,052
General and administrative expenses	(38,984,886)	-	(38,984,886)	(39,420,128)		(39,420,128)
Finance cost	(150,834)	-	(150,834)	(194,467)		(194,467)
Other income	-	(114,686)	(114,686)		3,500	3,500
Profit for the year	7,683,024	19,956,717	27,639,741	14,117,050	24,521,907	38,638,957

27.2 Segment assets and liabilities

	31 December 2022			31 December 2021		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	494,480,584	614,469,222	1,108,949,806	480,074,165	590,158,437	1,070,232,602
Unallocated assets	-	-	24,543,655	-	-	49,090,158
Total assets			1,133,493,461			1,119,322,760
Segment liabilities	669,407,513	7,803,413	677,210,926	645,548,054	5,391,224	650,939,278
Unallocated liabilities	-	-	5,281,154	-	-	5,283,005
Total liabilities			682,492,080			656,222,283
Capital expenditure	-		1,313,791	846,235	-	846,235

27 Segment reporting (continued)

27.3 Revenue from underwriting departments

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

	2022	2021
	AED	AED
Motor	**111,032,879**	128,241,787
Medical	**51,008,059**	48,339,956
Engineering	**21,145,152**	26,613,517
Fire	**100,891,039**	88,196,948
Marine	**77,925,575**	68,193,354
Workman compensation and third-party liability	**7,603,764**	7,377,790
Other lines of business	**2,776,691**	2,525,831
	372,383,159	369,489,183

27.4 Geographical information

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Company are held in the UAE and other GCC countries.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2022	Revenue 2021	**Total assets 2022**	Total assets 2021
	AED	AED	**AED**	AED
United Arab Emirates	**305,190,959**	306,647,394	**1,101,218,470**	1,034,650,111
Other GCC Countries	**12,474,361**	11,253,837	**9,394,121**	8,703,573
Others	**54,015,748**	51,612,191	**22,880,861**	75,969,076
	371,681,068	369,513,422	**1,133,493,452**	1,119,322,760

28 Commitments and contingent liabilities

Legal claims

The Company, in common with the majority of insurers, is subject to claims and litigation in the normal course of its business. Based on advice from internal claims department and independent legal advice, the management records provision representing best estimate of probable outflow of economic resources

Guarantees

	2022	2021
	AED	AED
Bank guarantees	**11,914,421**	16,044,222

The above bank guarantees were issued in the normal course of business.

29 Reclassifications

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. Management believes that the current year presentation provides more meaningful information to the readers of the financial statements.

These reclassifications did not have any impact on the current or prior year's statement of comprehensive income or retained earnings.

30 Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on 9 February 2023.