Al Dhafra Insurance Company P.S.C.

FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023

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THE BOARD OF DIRECTORS' 44th ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2023

I. Introduction:

Dear Shareholders,
As we reflect on the financial year that concluded on 31st December 2023, it is with great pleasure and a sense of accomplishment that we present to you the Director's Report for Al Dhafra Insurance Company. This report encapsulates our journey, achievements, challenges faced, and the strategic path ahead.

Gratitude to Our Respected Rulers
We extend our heartfelt thanks to His Highness Sheikh Mohamad Bin Zayed Al Nahyan, the President of United Arab Emirates and His Brothers, the Rulers of other Emirates, whose far-sighted vision and dedication to economic development have created an environment where businesses can thrive. Their commitment to innovation, infrastructure development, and a robust regulatory framework has played a pivotal role in Al Dhafra Insurance Company's ability to navigate challenges and seize opportunities. we express our deepest gratitude to the rulers for their exceptional leadership and the supportive ecosystem they have fostered. We are proud to be part of a community that values progress, innovation, and shared prosperity.

Overview of the Director's Report
In the pages that follow, you will find a comprehensive analysis of our financial performance, key operational highlights, strategic initiatives, and our commitment to corporate governance.

A Supportive Business Environment
The stability and support provided by the United Arab Emirates have allowed us to pursue our strategic initiatives with confidence. Their continuous efforts to enhance infrastructure, streamline regulatory processes, and encourage investment have not only benefited Al Dhafra Insurance Company but have also contributed to the overall economic growth of our region.

A Year of Resilience and Growth
The past fiscal year has been marked by resilience in the face of a dynamic and challenging business environment. We are delighted to report that Al Dhafra Insurance Company PJSC has not only weathered the storms but has also charted a course of sustained growth and strategic advancement.

Commitment to Shareholder Value
At the core of our endeavours is a steadfast commitment to creating and sustaining value for our esteemed shareholders. As we navigate through market complexities and industry shifts, your confidence and support remain the driving force behind our strategic decisions.

II. Financial Performance:

The financial year 2023 marks a pivotal moment for Al Dhafra Insurance Company as we have adopted the International Financial Reporting Standard 17 (IFRS 17) for insurance contracts. This new standard, effective from 01/01/2023, brings about fundamental changes in our accounting practices and financial reporting. The adoption of IFRS 17 has led to a significant restructuring and presentation of our financial statements with new profit recognition patterns prescribed by the standard.

Revenue and Profitability:

The fiscal year 31st December 2023 has been marked by robust financial performance, showcasing sustained growth and resilience. Total revenue for the period reached AED 327 million, reflecting an increase of 3.10% compared to the previous year. Net profit margins remained strong at 79.88% increase from previous year, a testament to the efficiency of our operations and prudent financial management. We are pleased to report that our profitability has exceeded industry benchmarks, underscoring the effectiveness of our strategic initiatives.

Gross and Net premium

The gross premium written for the year ended 31 December 2023 amounted to AED 327,289,671 (2022: AED 317,445,982), depicting an increase of 3.10%.

The net retained premium for the year ended 31 December 2023 amounted to AED 75,631,629 (2022: AED 74,945,191), showing a increase of 0.92%.

Gross and Net claims

The gross claims paid by the Company during the year amounted to AED 188,448,156 (2022: AED 193,699,024), depicting a decrease of (2.71)%.

Net claims paid during the year amounted to AED 43,851,668 (2022: AED 40,428,137), depicting an increase of 8.46%.

Technical Provisions

The net technical provisions (excluding deferred acquisition costs and unearned commission income) at 31 December 2023 amounted to AED 101,060,044 (2022: AED 98,331,362).

The net technical provision for the current year is hence 134% of the retained premium compared to 131% in 2022.

Figures relating to Different classes of Insurance.

Gross written Premiums	2023 (AED)	2022 (AED)
Marine	86,866,536	72,100,637
Other classes of business	240,423,135	245,345,345
Total	327,289,671	317,445,982

Gross Paid Claims	2023 (AED)	2022 (AED)
Marine	10,765,994	17,852,031
Other classes of business	177,682,162	175,846,993
Total	188,448,156	193,699,024

Net Technical Provisions	2023 (AED)	2022 (AED)
Marine	4,573,504	4,359,408
Other classes of business	96,486,540	93,971,954
Total	101,060,044	98,331,362

Investments:

The total investments including investment properties of the Company stand at AED 440,041,802 as at 31 December 2023 (2022: AED 427,501,141), showing an increase of 2.93%.

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 38,193,963 (2022: AED 38,111,190).

Profits for the year
The profit of the Company from insurance and investment activities for the year under review is AED 41,303,047 (2022(IFRS17): AED 22,961,846) showing an increase of 79.88%.

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 increased from the amount of AED 443 million in 2022 (IFRS 17) to AED 464 million, an increase of 4.60%.

The total assets increased from AED 1004 million in 2022 (IFRS 17) to AED 1315 million, with an increase of 31%.

III. Strategic Initiatives & Customer-Centric Initiatives

Digital Transformation

To meet the evolving preferences of our policyholders, we expanded our online service offerings. The introduction of user-friendly digital platforms and mobile applications has facilitated seamless policy management, claims processing, and communication. Recognizing the importance of personalization in the insurance landscape, we implemented initiatives to tailor products and services to individual customer needs. This has not only increased customer satisfaction but also fostered stronger customer loyalty.

Risk Management and Underwriting

Harnessing the power of predictive analytics, we enhanced our risk assessment and underwriting processes. This has resulted in more accurate pricing models, reduced fraud, and improved overall risk management. Given the growing importance of data security, we implemented robust cybersecurity measures to protect sensitive customer information. This strategic initiative is crucial in maintaining customer trust and complying with regulatory requirements.

Regulatory Compliance

Ensuring compliance with evolving regulations is a top priority. Our strategic initiatives included the establishment of a dedicated compliance monitoring team and the implementation of robust systems to adapt to changes in regulatory frameworks promptly. A commitment to ethical business practices has been at the forefront of our strategic initiatives. We conducted regular training programs for employees to reinforce the importance of ethical conduct, integrity, and fair dealings with customers.

At Al Dhafra Insurance Company, we recognize the profound impact of Environmental, Social, and Governance (ESG) factors on our business and stakeholders. Our commitment to ESG principles is an integral part of our corporate strategy.

At Al Dhafra Insurance Company, we recognize the significance of Emiratization as a key national priority in the United Arab Emirates. Our commitment to supporting this initiative is aligned with our dedication to contributing to the socio-economic development of the country. In 2023, we continued our efforts to foster Emirati talent and enhance their representation in our workforce. Our Emiratization objectives are rooted in our belief that a diverse and inclusive workforce, including a strong representation of Emirati nationals, strengthens our organization.

Financial Outlook:

Looking ahead, the financial outlook for the upcoming fiscal year is optimistic. Despite the evolving economic landscape, our strategic initiatives are poised to capitalize on emerging opportunities, ensuring sustained growth and profitability.

Gratitude and Acknowledgments

Before delving into the details,

we express our sincere gratitude to our dedicated employees, whose hard work and commitment have been the bedrock of our success, to our customers, whose loyalty motivates us to continuously innovate and improve, to all our business partners who have been instrumental in our journey throughout the year, to all our reinsurers who have been vital contributors to the success and resilience of Al Dhafra Insurance Company. Your expertise, commitment to excellence, and collaborative approach have significantly strengthened our risk management framework, to our shareholders, your trust is the cornerstone of our journey.

IV. Distribution of profit

The net profit before appropriation for the year of AED 47,495,047 achieved by the Company with the retained profit from the previous years amounted to a distributable income of AED 111,721,846. We recommend appropriation of the above profit as follows:

Details of Appropriation	AED
To be distributed as cash dividend	35,000,000
Board of Directors Remuneration	4,000,000
Staff Bonus	3,521,957
To be carried forwarded to the subsequent year	69,199,889

V. Recommendations of Board of Directors to Shareholders:

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 31/12/2023.
2. Listen to and approve the Auditor's Report for the fiscal year ended on 31/12/2023.
3. Discuss and approve the Company's balance sheet and profit and loss account for the fiscal year ended on 31/12/2023.
4. Consider the Board of Director's proposals concerning the distribution of profits by 35% of the nominal value of the share as a cash dividend of AED 35,000,000 at 0.35 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 2023 for a total amount of AED 3,521,957/
7. Discharge the members of the Board of Directors for the fiscal year ended on 31/12/2023 or remove them and file a liability action against them, as the case may be.
8. Discharge the auditors for the fiscal year ended 31/12/2023 or remove them and file a liability action against them, as the case may be.
9. Appoint the auditors for the year 2024 and determine their fees.

IV. Conclusion:

In closing, the fiscal year 31st December 2023 has been a period of significant achievements and strategic advancements for Al Dhafra Insurance Company. As we reflect on the past year, we are pleased to note our strong financial performance, operational successes, and unwavering commitment to corporate governance and compliance.

The dedication of our employees, the trust of our shareholders, and the support of our customers have been pivotal in our journey. We extend our sincere gratitude to each member of the Al Dhafra Insurance Company family for their hard work, resilience, and contributions to our shared success.

We remain focused on market expansion, technological advancements, sustainability, and talent development. Our commitment to ethical governance, regulatory compliance, and transparent communication will guide us through the evolving business landscape.
As we navigate the future, we are confident in our ability to adapt, innovate, and thrive. The challenges that lie ahead are met with anticipation, and the opportunities are viewed as avenues for further success. We are excited about the journey that awaits us and are committed to delivering sustained value to our stakeholders.

On behalf of the Board of Directors, I express our gratitude to our shareholders for their trust, our customers for their loyalty, and our employees for their dedication. Together, we look forward to shaping a future that reflects the resilience and vision of Al Dhafra Insurance Company.
On Behalf of the Board of Directors

Chairman of the Board

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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 2023 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 material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with 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 these requirements together with the other ethical requirements that are relevant to the audit of the financial statements. 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 2023. 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.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of (Re)Insurance Contract Assets and Liabilities	
Valuation of (Re)Insurance contract assets and liabilities involves significant judgements and estimates particularly with respect to the estimation of the present value of future cash flows, eligibility of the premium allocation approach (PAA) and estimation of the liabilities for incurred claims. These cash flows primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cash flows which are within the contract boundaries. The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of methodology, assumptions and data used to determine the estimated future cash flows and the appropriateness of the discount rates used to determine the present value of these cashflows.	We performed the following procedures in conjunction with our actuarial specialists: - Understanding and evaluating the process, the design and implementation of controls in place to determine valuation of (Re)Insurance contract assets and liabilities. - Assessment of the competence, capabilities and objectivity of the management appointed actuary. - Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows. - Evaluated and assessed the recoverability of Insurance receivables. - Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied. - We independently reperformed the calculation to assess the mathematical accuracy of the (Re)Insurance contract assets and liabilities on selected classes of business, particularly focusing on largest and most uncertain reserves.

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Disclosure of impact of adopting IFRS 17	
We determined the disclosure of the impact of adopting IFRS 17 to be a key audit matter because of the significant changes introduced by the standard, which includes significant estimates and judgements, and because the impacts will be of particular importance to the readers of these financial statements. In particular, we have focused on the following key judgements that management have taken on implementing IFRS 17: - The determination of the transition approach adopted for each group of insurance contracts; - The methodology adopted and key assumptions used to determine the impact and restatement of previously reported numbers in accordance with IFRS 17. - Disclosure of the impact of restatement, in accordance with IFRS 17.	Our audit procedures, among others, include: - Assessing whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17; - Using our actuarial specialist team members, evaluated the appropriateness of the methodology used to determine discount rates as at the transition date; - Evaluating the appropriateness of significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows; - Evaluation of the completeness, and on sample basis, the accuracy and relevance of the data used to determine the impact of IFRS 17 adoption and restatement; - Evaluated the reasonableness of the quantitative and qualitative disclosures included in the financial statements in accordance with IFRS 17.

Other Information

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

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

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

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

Report on the Audit the Financial Statements (continued)

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

- 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.

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)

- 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

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

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

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

iii) The Company has maintained proper books of account;

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) Notes 8 and 9 to the financial statements disclose purchase of securities by the Company during the year ended 31 December 2023;

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

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

Report on the Audit the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements (continued)

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2023 any of the applicable provisions of the Federal Law No. 32 of 2021, or in respect of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2023.

viii) The Company has not made any social contributions during the year ended 31 December 2023.

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

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GRANT THORNTON
Dr. Osama El Bakry
Registration No: 935
Abu Dhabi, United Arab Emirates
Date: 13 February 2024

Statement of financial position
For the year ended 31 December 2023

	Notes	31 December 2023 AED	*Restated* 31 December 2022 AED	*Restated* 31 December 2021 AED
ASSETS				
Property and equipment	3	**796,119**	831,555	1,270,692
Intangible assets	4	**3,356,823**	3,232,583	3,287,444
Right-of-use assets	5	**5,759,263**	6,698,531	4,305,866
Investment properties	6	**70,012,225**	70,012,225	65,812,225
Statutory deposit	7	**9,980,000**	9,980,000	9,980,000
Investments carried at fair value through other comprehensive income	8	**246,026,664**	240,956,595	245,695,433
Investments carried at fair value through profit and loss	9	**124,002,913**	116,532,321	103,340,654
Insurance contract assets	11	**53,608,521**	30,449,506	87,649,858
Reinsurance contract assets	11	**583,999,781**	319,370,500	287,689,443
Prepayments and other receivables	10	**7,878,849**	4,736,844	5,974,491
Deposits	12	**183,932,075**	176,988,081	165,330,125
Cash and cash equivalents	12	**25,226,125**	24,543,655	49,090,158
TOTAL ASSETS		**1,314,579,358**	1,004,332,396	1,029,426,389
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	14	**100,000,000**	100,000,000	100,000,000
Legal reserve	15	**50,000,000**	50,000,000	50,000,000
General reserve	15	**145,000,000**	145,000,000	145,000,000
Investment revaluation reserve	15	**58,548,665**	49,703,235	54,442,073
Reinsurance reserve	15	**4,723,303**	3,488,946	2,260,256
Retained earnings		**105,529,846**	95,201,401	108,468,245
TOTAL EQUITY		**463,801,814**	443,393,582	460,170,574
LIABILITIES				
Provision for employees' end of service benefits	16	**7,655,079**	7,293,748	8,456,579
Lease liabilities	5	**5,939,744**	6,538,945	4,015,012
Insurance contract liabilities	11	**773,955,713**	500,693,111	506,689,581
Reinsurance contract liabilities	11	**47,796,208**	22,516,538	26,481,030
Other payables	17	**15,430,800**	23,896,472	23,613,613
TOTAL LIABILITIES		**850,777,544**	560,938,814	569,255,815
TOTAL EQUITY AND LIABILITIES		**1,314,579,358**	1,004,332,396	1,029,426,389

These financial statements were approved by the Board of Directors on 13 February 2024 and signed on their behalf by:

Assistant General Manager - Finance   General Manager   Board member

AL DHAFRA INSURANCE CO. P.S.C. ABU DHABI

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Statement of profit or loss
For the year ended 31 December 2023

	Notes	2023 AED	*Restated* 2022 AED
Insurance revenue	11	**320,617,883**	319,562,296
Insurance service expenses	21	**(501,772,483)**	(328,415,577)
Insurance service result before reinsurance contracts held		**(181,154,600)**	(8,853,281)
Allocation of reinsurance premiums		**(247,708,191)**	(238,026,470)
Amounts recoverable from reinsurance for incurred claims	21	**423,708,417**	243,260,839
Net income from reinsurance contracts held		**176,000,226**	5,234,369
Insurance service result		**(5,154,374)**	(3,618,912)
Income from investments	20	**40,884,050**	16,858,654
Insurance finance (expense)/ income from reinsurance contracts held	22	**(16,528,601)**	2,403,404
Reinsurance finance income/(expense) from reinsurance contracts held	22	**13,706,705**	(1,429,479)
Net insurance and investment results		**32,907,780**	14,213,667
Other operating income		**8,786,456**	8,899,013
Other finance costs		**(391,189)**	(150,834)
PROFIT FOR THE YEAR		**41,303,047**	22,961,846
Basic and diluted earnings per share	19	**0.41**	0.23

The accompanying notes from 1 to 29 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2023

	Note	**2023 AED**	2022 AED
Profit for the year		**41,303,047**	22,961,846
Other comprehensive income			
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	**8,845,430**	(4,738,838)
Other comprehensive income / (loss) for the year		**8,845,430**	(4,738,838)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**50,148,477**	18,223,008

The accompanying notes from 1 to 29 form an integral part of these financial statements.

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

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

	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 31 December 2021	100,000,000	50,000,000	145,000,000	54,442,073	2,260,256	111,398,148	463,100,477
Adjustment on initial application of IFRS 17	-	-	-	-	-	(2,929,903)	(2,929,903)
Balance as at 1 January 2022- *Restated*	100,000,000	50,000,000	145,000,000	54,442,073	2,260,256	108,468,245	460,170,574
Net profit for the year	-	-	-	-	-	22,961,846	22,961,846
Other comprehensive loss for the year	-	-	-	(4,738,838)	-	-	(4,738,838)
Total comprehensive income for the year	-	-	-	(4,738,838)	-	22,961,846	18,223,008
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 - *Restated*	100,000,000	50,000,000	145,000,000	49,703,235	3,488,946	95,201,401	443,393,582
Balance as at 1 January 2023 - *Restated*	100,000,000	50,000,000	145,000,000	49,703,235	3,488,946	95,201,401	443,393,582
Net profit for the year	-	-	-	-	-	41,303,047	41,303,047
Other comprehensive income for the year	-	-	-	8,845,430	-	-	8,845,430
Total comprehensive income for the year	-	-	-	8,845,430	-	41,303,047	50,148,477
Dividends declared and paid (note 14)	-	-	-	-	-	(30,000,000)	(30,000,000)
Transfer to reinsurance reserve	-	-	-	-	1,234,357	(1,234,357)	-
Transfer to retained earnings on disposal of investments at FVTOCI	-	-	-	-	-	259,755	259,755
Balance as at 31 December 2023	**100,000,000**	**50,000,000**	**145,000,000**	**58,548,665**	**4,723,303**	**105,529,846**	**463,801,814**

The accompanying notes from 1 to 29 form an integral part of these financial statements

Statement of cashflows
For the year ended 31 December 2023

	Notes	**31 December 2023 AED**	31 December 2022 Restated AED
OPERATING ACTIVITIES			
Profit for the period		**41,303,047**	22,961,846
Adjustments for:			
Change in fair value of investments carried at fair value through profit or loss	9	**(17,335,346)**	1,061,868
Realised gain on disposal of investments carried at fair value through profit or loss	20	**(4,130,668)**	(1,225,572)
Change in the fair value of investment properties		**-**	(2,100,000)
Provision for employees' end of service benefits	16	**534,712**	526,551
Depreciation of property and equipment and right-of-use asset		**1,425,294**	1,819,388
Amortisation of intangible assets	4	**1,156,127**	996,862
Gain on disposal of property and equipment		**(2,700)**	229,462
Finance cost		**391,189**	150,834
Dividend income	20	**(9,966,004)**	(10,236,700)
Interest income	20	**(8,724,127)**	(5,724,655)
Cash flows from operating activities		**4,651,524**	8,459,884
Working capital changes:			
Changes in prepayments and other receivables		**(1,300,219)**	1,661,457
Changes in insurance and reinsurance contracts assets/liabilities		**10,753,975**	15,558,333
Change in other payables		**(8,465,670)**	282,859
Cash generated from operations		**5,639,610**	25,962,533
Employees' end of service benefits paid	16	**(173,381)**	(1,303,559)
Net cash generated from operating activities		**5,466,229**	24,658,974
INVESTING ACTIVITIES			
Purchase of property and equipment	3	**(450,590)**	(262,335)
Purchase of intangible assets	4	**(1,280,367)**	(1,051,456)
Purchase of investments at FVTPL	9	**(6,300,996)**	(47,342,124)
Proceeds from disposal of FVTPL investments		**20,296,418**	34,314,161
Additions to investment properties		**-**	(2,100,000)
Proceeds from disposal of investments at FVTOCI		**4,035,116**	-
Proceeds from disposal of property and equipment		**2,700**	(114,686)
Movement in Term deposits		**(6,943,994)**	(11,657,956)
Dividends received	20	**9,966,004**	10,236,700
Interest received		**6,882,340**	4,915,021
Net cash generated from investing activities		**26,206,631**	(13,062,675)
FINANCING ACTIVITIES			
Dividends paid	14	**(30,000,000)**	(35,000,000)
Payment of lease liabilities		**(990,390)**	(1,142,802)
Net cash used in financing activities		**(30,990,390)**	(36,142,802)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**682,470**	(24,546,503)
Cash and cash equivalents at the beginning of the period		**24,543,655**	49,090,158
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	12	**25,226,125**	24,543,655

The accompanying notes from 1 to 29 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 an Amiri Decree No. 8 of 1979. 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.

During the year, Federal Law No. 48 of 2023 has been issued with effective date of 30 November 2023, repealing Federal Law No. 6 of 2007. In accordance with Article 112 of the Federal Law No. 48 of 2023, the Company has 6 months from this date of effect to apply the provisions of new Law.

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax regime in the UAE. The Law was published in the official gazette on 10 October 2022 and became effective on 25 October 2022. The Corporate Tax law will apply to taxable persons for financial years beginning on or after 1 June 2023. For the Company, Corporate Tax will apply from 1 January 2024. A rate of 9% will apply to taxable income exceeding AED 375,000. A rate of 0% will apply to taxable income not exceeding this threshold. The Company engaged a consultant to assist with assessing the impact of Corporate Tax. The Company has also assessed the deferred tax implications for the year ended 31 December 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not material.

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

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 ("IFRS") and applicable requirements of the Federal Decree Law No. 32 of 2021 ("Companies Law"), relating to commercial companies and United Arab Emirates (UAE) Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended) concerning Financial Regulations for Insurance Companies issued by the Central Bank of the UAE ("CBUAE") and regulation of its operations.

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 24.

2.2 Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2023

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

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

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

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.

Standard number	Title	Effective date
IAS 1	Amendment to IAS 1 – Non-current liabilities with covenants	1 January 2024
IFRS 16	Amendment to IFRS 16 – Leases on sale and leaseback	1 January 2024

2.3 Significant accounting policies

IFRS 17 Insurance Contracts

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

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

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

2 General information (continued)

2.3 Significant accounting policies (continued)

Standards, interpretations and amendments to existing standards – Impact of new IFRS (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement

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

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

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

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

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Changes to classification and measurement (continued)

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

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

The Company expenses all of its insurance acquisition cash flows upon payment. No separate asset is recognized for deferred acquisition costs. Instead, qualifying insurance acquisition cash flows are subsumed into the insurance liability for remaining coverage.

Changes to presentation and disclosure

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

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

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

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

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

Instead, IFRS 17 requires separate presentation of:

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure (continued)

The Company provides disaggregated qualitative and quantitative information about:
- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a modified retrospective approach to the extent practicable. Under the modified retrospective approach, at 1 January 2022 the Company:
- identified, recognised and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognised and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognised previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognised any resulting net difference in equity.

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item and EPS. The effects of adopting IFRS 17 on the financial statement at 1 January 2021 are presented in the statement of changes in equity.

Insurance and reinsurance contracts classification

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

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Separating components from insurance and reinsurance contracts (continued)

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

Level of aggregation

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

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

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

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation (continued)

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

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

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

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

Recognition

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

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

Contract boundary

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

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Contract boundary (continued)

Both of the following criteria are satisfied:

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

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

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

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

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

Or

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

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

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

- The length of the coverage period of the group of contracts.

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – initial measurement (continued)

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

Insurance contracts – subsequent measurement

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

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

The Company estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the entity, and include an explicit adjustment for non-financial risk (the risk adjustment). The Company does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred. Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

Reinsurance contracts

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

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

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

or

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Reinsurance contracts (continued)

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

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

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

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

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

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

Insurance revenue

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

The Company changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

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

Loss components

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

2.3 Significant accounting policies (continued)

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance finance income and expense

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

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

The Company does not disaggregates insurance finance income or expenses between profit or loss and OCI. The impact of all changes are reflected through profit or loss.

Net income or expense from reinsurance contracts held

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

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

2.3 Significant accounting policies (continued)

Financial assets (continued)

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.

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.

2.3 Significant accounting policies (continues)

Financial assets (continued)

Impairment of financial assets (continued)

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).

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.

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 25.

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)

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.

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.

2.3 Significant accounting policies (continued)

Leases (continued)

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.

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.

2.3 Significant accounting policies (continued)

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.

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.

2.3 Significant accounting policies (continued)

Employees' 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.

Insurance and reinsurance contracts

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

Liability for remaining coverage

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

The effect of recognising insurance acquisition cash flows as an expense on initial recognition of group of insurance contracts is to increase the liability for remaining coverage on initial recognition and reduce the likelihood of any subsequent onerous contract loss. There would be an increased charge to profit or loss on initial recognition, due to expensing acquisition cash flows, offset by an increase in profit released over the coverage period. For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows.

2.4 Significant accounting judgements and estimates (continued)

Judgements (continued)

Liability for incurred claims

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

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

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

Discount rates

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

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

	1 year		3 years		5 years		10 years	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Insurance issued								
AED	**5%**	5%	**5%**	5%	**5%**	5%	**5%**	5%
Reinsurance contracts held								
AED	**5%**	5%	**5%**	5%	**5%**	5%	**5%**	5%

2.4 Significant accounting judgements and estimates (continued)

Judgements (continued)

Risk adjustment for non-financial risk

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

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 70th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 70th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

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.

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.

Expected credit losses

Management reviews the provision for expected credit losses (ECL) at each reporting date by assessing the recoverability of insurance and reinsurance receivables. For non-insurance receivables the recoverability is assessed, and expected credit losses are created in compliance with the simplified approach under the IFRS 9 methodology.

3 Property and equipment

	Furniture and fittings AED	Motor vehicles AED	Computer equipment and accessories AED	Total AED
Cost				
At 1 January 2022	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
Additions during the year	54,284	-	396,306	450,590
Disposals during the year	(83,435)	-	(392,259)	(475,694)
At 31 December 2023	**2,778,949**	**1,501,433**	**3,164,169**	**7,444,551**
Accumulated depreciation				
At 1 January 2022	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
Charge for the year	88,072	33,330	364,624	486,026
Disposals during the year	(83,435)	-	(392,259)	(475,694)
At 31 December 2023	**2,773,650**	**1,464,192**	**2,410,590**	**6,648,432**
Carrying amount				
As at 31 December 2023	**5,299**	**37,241**	**753,579**	**796,11**
As at 31 December 2022	39,087	70,571	721,897	831,55

4 Intangible assets

	Computer software AED
Cost	
Balance at 1 January 2023	7,832,441
Additions	1,280,367
Disposal	(1,010,750)
Balance at 31 December 2023	8,102,058
Accumulated amortization	
Balance at 1 January 2023	4,599,858
Amortization for the year	1,156,127
Disposal	(1,010,750)
Balance at 31 December 2023	4,745,235
Carrying amount	**3,356,823**

Cost	
Balance at 1 January 2022	10,153,932
Additions and transfers	1,051,456
Disposal	(3,372,947)
Balance at 31 December 2022	7,832,441
Accumulated amortization	
Balance at 1 January 2022	6,866,488
Amortization for the year	996,862
Disposal	(3,263,492)
Balance at 31 December 2022	4,599,858
Carrying amount	3,232,583

5 Leases

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

	2023 AED	2022 AED
Cost		
Balance at 1 January	**11,020,757**	7,504,855
Adjustment for revised lease term	**-**	3,515,902
Balance at 31 December	**11,020,757**	11,020,757
Accumulated depreciation		
Balance at 1 January	**4,322,226**	3,198,989
Depreciation for the year	**939,268**	1,123,237
Balance at 31 December	**5,261,494**	4,322,226
Carrying amount	**5,759,263**	6,698,531

5 Leases (continued)

Lease liabilities are as follows:

	2023 AED	2022 AED
Within one year	**847,420**	1,188,053
One to ten years	**5,092,324**	5,350,892
	5,939,744	6,538,945

6 Investment Properties

	Abu Dhabi land and building AED	Al Ain land and building AED	Total AED
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
Balance at 1 January 2023	**59,289,680**	**10,722,545**	**70,012,225**
Additions	**-**	**-**	**-**
Change in fair value	**-**	**-**	-
At 31 December 2023	**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 2023 and 2022 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 2023				
Investment properties	**-**	**-**	**70,012,225**	**70,012,225**
31 December 2022				
Investment properties	-	-	70,012,225	70,012,225

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 4,815,000; and • Al Ain property AED 1,014,000. 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:

	2023 AED	2022 AED
Rental income	**2,608,330**	**2,664,963**
Direct operating expenses	**(692,514)**	**(677,526)**
	1,915,816	**1,987,437**

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 48 of 2023 (previously Federal Law No.6 of 2007, as amended), 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.

	2023 AED	2022 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

	2023 AED	2022 AED
Quoted UAE equity securities	**246,026,664**	**240,956,595**

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

	2023 AED	2022 AED
Fair value at beginning of the year	**240,956,595**	245,695,433
Additions	**-**	-
Disposals	**(3,775,361)**	-
Change in fair value	**8,845,430**	(4,738,838)
Fair value at end of the year	**246,026,664**	240,956,595

9 Investments carried at fair value through profit or loss

	2023 AED	2022 AED
Managed funds (i)	**79,511,873**	65,384,332
Quoted UAE equity securities	**34,283,128**	40,399,926
Quoted debt securities (ii)	**3,162,062**	4,183,636
Unquoted equity security	**7,045,850**	6,564,427
	124,002,913	116,532,321

(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% (2022: 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:

	2023 AED	2022 AED
Fair value at beginning of the year	**116,532,321**	103,340,654
Additions	**6,300,996**	47,342,124
Disposals	**(16,165,750)**	(33,970,729)
Change in fair value (note 20)	**17,335,346**	(179,728)
Fair value at end of the year	**124,002,913**	116,532,321

10 Prepayments and other receivables

	2023 AED	2022 AED
Prepayments	**1,092,263**	1,117,184
Interest receivables	**4,255,957**	2,414,170
Other receivables	**2,530,629**	2,240,418
Reinsurance default risk	**-**	(1,034,928)
Prepayments and other receivables	**7,878,849**	4,736,844

11 Insurance and reinsurance contracts

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

		2023			2022 (*Restated*)	
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
	AED	**AED**	**AED**	AED	AED	AED
Insurance contracts issued						
Life and Medical	**11,443,719**	**(40,541,190)**	**(29,097,471)**	4,168,814	(31,695,950)	(27,527,136)
General and Motor	**42,164,802**	**(733,414,523)**	**(691,249,721)**	26,280,692	(468,997,161)	(442,716,469)
Total insurance contracts issued	**53,608,521**	**(773,955,713)**	**(720,347,192)**	30,449,506	(500,693,111)	(470,243,605)
Reinsurance contracts held						
Life and Medical	**21,325,900**	**(104,408)**	**21,221,492**	28,859,230	-	28,859,230
General and Motor	**562,673,881**	**(47,691,800)**	**514,982,081**	290,511,270	(22,516,538)	267,994,732
Total reinsurance contracts held	**583,999,781**	**(47,796,208)**	**536,203,573**	319,370,500	(22,516,538)	296,853,962

11 Insurance and reinsurance contracts (continued)

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

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims, is disclosed in the table below:

	Liabilities for remaining coverage		Liabilities for incurred claims		
2023	Excluding loss component Unaudited AED	Loss component Unaudited AED	Estimates of the present value of future cash flows Unaudited AED	Risk adjustment Unaudited AED	Total Unaudited AED
Insurance contract liabilities as at 1 January	**29,996,781**	**39,824,856**	**368,466,310**	**31,955,658**	**470,243,605**
Insurance revenue	**320,617,883**	**-**	**-**	**-**	**320,617,883**
Insurance service expenses	**(45,121,330)**	**(40,758,770)**	**(403,387,918)**	**(12,504,465)**	**(501,772,483)**
Incurred claims and other expenses	**-**	**-**	**(226,251,320)**	**-**	**(226,251,320)**
Losses on onerous contracts and reversals	**-**	**(40,758,770)**	**-**	**-**	**(40,758,770)**
Changes to liabilities for incurred claims	**-**	**-**	**(177,136,598)**	**(12,504,465)**	**(189,641,063)**
Acquisition cashflows amortisation	**(45,121,330)**	**-**	**-**	**-**	**(45,121,330)**
Insurance service result	**275,496,553**	**(40,758,770)**	**(403,387,918)**	**(12,504,465)**	**(181,154,600)**
Insurance finance expense	**-**	**-**	**(14,930,818)**	**(1,597,783)**	**(16,528,601)**
Total changes in the statement of comprehensive income	**275,496,553**	**(40,758,770)**	**(418,318,736)**	**(14,102,248)**	**(197,683,201)**
Cash flows					
Premiums received	**321,919,965**	**-**	**-**	**-**	**321,919,965**
Claims and other expenses paid	**-**	**-**	**(196,090,628)**	**-**	**(196,090,628)**
Directly attributable expenses paid	**-**	**-**	**(37,802,774)**	**-**	**(37,802,774)**
Insurance acquisition cash flows	**(35,606,177)**	**-**	**-**	**-**	**(35,606,177)**
Total cash flows	**286,313,788**	**-**	**(233,893,402)**	**-**	**52,420,386**
Net insurance contract liabilities as at 31 December	**40,814,016**	**80,583,626**	**552,891,644**	**46,057,906**	**720,347,192**

11 Insurance and reinsurance contracts (continued)

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

Contracts measured under the PAA (continued)

	Liabilities for remaining coverage		Liabilities for incurred claims		
2022 (*restated*)	Excluding loss component	Loss component	Estimates of the present value of future	Risk adjustment	Total
	AED	AED	AED	AED	AED
Insurance contract liabilities as at 1 January	42,806,719	17,015,504	340,897,734	18,320,182	419,040,139
Insurance revenue	319,562,296	-	-	-	319,562,296
Insurance service expenses	(50,697,766)	(22,809,352)	(240,437,366)	(14,471,093)	(328,415,577)
Incurred claims and other expenses	-	-	(231,659,290)	-	(231,659,290)
Losses on onerous contracts and reversals	-	(22,809,352)			(22,809,352)
Changes to liabilities for incurred claims			(8,778,076)	(14,471,093)	(23,249,169)
Acquisition cashflows amortisation	(50,697,766)	-	-	-	(50,697,766)
Insurance service result	268,864,530	(22,809,352)	(240,437,366)	(14,471,093)	(8,853,281)
Insurance finance income	-	-	1,567,787	835,617	2,403,404
Total changes in the statement of comprehensive income	268,864,530	(22,809,352)	(238,869,579)	(13,635,476)	(6,449,877)
Cash flows					
Premiums received	302,370,154	-	-	-	302,370,154
Claims and other expenses paid	-	-	(173,340,647)	-	(173,340,647)
Directly attributable expenses paid	-	-	(37,960,356)	-	(37,960,356)
Insurance acquisition cash flows	(46,315,562)	-	-	-	(46,315,562)
Total cash flows	256,054,592	-	(211,301,003)	-	44,753,589
Net insurance contract liabilities as at 31 December	29,996,781	39,824,856	368,466,310	31,955,658	470,243,605

11 Insurance and reinsurance contracts (continued)

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

2023	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component Unaudited AED	Loss component Unaudited AED	Estimates of the present value of future cash flows Unaudited AED	Risk adjustment Unaudited AED	Total Unaudited AED
Reinsurance contract assets as at 1 January	14,553,408	28,991,300	247,900,478	27,925,314	319,370,500
Reinsurance contract liabilities as at 1 January	(20,824,855)	-	(1,630,023)	(61,660)	(22,516,538)
Net reinsurance contract assets/(liabilities)	(6,271,447)	28,991,300	246,270,455	27,863,654	296,853,962
Allocation of reinsurance premiums	(247,708,191)	-	-	-	(247,708,191)
Amounts recoverable from reinsurers for incurred claims	48,123,054	38,764,911	323,329,893	13,490,559	423,708,417
Amounts recoverable for incurred claims and other expenses	-	-	144,596,404	-	144,596,404
Loss-recovery on onerous underlying contracts and adjustments	-	38,764,911			38,764,911
Acquisition cashflows amortization	48,217,554	-	-	-	48,217,554
Changes to amounts recoverable for incurred claims	-	-	178,733,489	13,490,559	192,224,048
Changes in non-performance risk of reinsurer	(94,500)	-	-	-	(94,500)
Net income or expense from reinsurance contracts held	(199,585,137)	38,764,911	323,329,893	13,490,559	176,000,226
Reinsurance finance income	-	-	12,313,522	1,393,183	13,706,705
Total changes in the statement of comprehensive income	(199,585,137)	38,764,911	335,643,415	14,883,742	189,706,931
Cash flows					
Premiums paid	259,864,119	-	-	-	259,864,119
Amount received	-	-	(144,596,403)	-	(144,596,403)
Insurance acquisition cash flows	(65,625,036)	-	-	-	(65,625,036)
Total cash flows	194,239,083	-	(144,596,403)	-	49,642,680
Net reinsurance contract assets/(liabilities) as at 31 December	(11,617,501)	67,756,211	437,317,467	42,747,396	536,203,573
Reinsurance contract assets as at 31 December	34,961,886	67,558,749	438,641,861	42,837,285	583,999,781
Reinsurance contract liabilities as at 31 December	(46,579,387)	197,462	(1,324,394)	(89,889)	(47,796,208)
Net reinsurance contract assets/(liabilities) as at 31 December	(11,617,501)	67,756,211	437,317,467	42,747,396	536,203,573

11 Insurance and reinsurance contracts (continued)

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

2022 (*Restated*)

	Assets for remaining coverage		Amounts recoverable on incurred claims		
	Excluding loss recovery component Unaudited AED	Loss component Unaudited AED	Estimates of the present value of future cash flows Unaudited AED	Risk adjustment Unaudited AED	Total Unaudited AED
Reinsurance contract assets as at 1 January	19,084,121	11,993,136	240,834,827	15,777,774	287,689,858
Reinsurance contract liabilities as at 1 January	(26,481,030)		-	-	(26,481,030)
Net reinsurance contract assets/(liabilities)	(7,396,909)	11,993,136	240,834,827	15,777,774	261,208,828
An allocation of reinsurance premiums	(238,026,470)	-	-	-	(238,026,470)
Amounts recoverable from reinsurers for incurred claims	54,068,304	16,998,165	159,408,680	12,785,690	243,260,839
Amounts recoverable for incurred claims and other expenses	54,068,304	-	153,273,591	-	207,341,895
Loss-recovery on onerous underlying contracts and adjustments	-	16,998,165	6,135,089	12,785,690	35,918,944
Changes to amounts recoverable for incurred claims	-	-	-	-	-
Net income or expense from reinsurance contracts held	(183,958,166)	16,998,165	159,408,680	12,785,690	5,234,369
Reinsurance finance income	30,208	-	699,461	699,810	1,429,479
Total changes in the statement of comprehensive income	(183,988,374)	16,998,165	158,709,219	12,085,880	3,804,890
Cash flows					
Premiums paid	243,024,142	-	-	-	243,024,142
Amount received	(57,910,307)	-	(153,273,591)	-	(211,183,898)
Total cash flows	185,113,835	-	(153,273,591)	-	31,840,244
Net reinsurance contract assets/(liabilities) as at 31 December	6,271,448	(28,991,301)	(246,270,455)	(27,863,654)	(296,853,962)
Reinsurance contract assets as at 31 December	14,553,408	28,991,301	247,900,478	27,925,313	319,370,500
Reinsurance contract liabilities as at 31 December	(20,824,856)	-	(1,630,023)	(61,659)	(22,516,538)
Net reinsurance contract assets/(liabilities) as at 31 December	(6,271,448)	28,991,301	246,270,455	27,863,654	296,853,962

11 Insurance and reinsurance contracts (continued)

In addition to scenario testing, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of liability for incurred claims for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The following tables illustrate the Company's estimate of total liability for incurred claims for the years up to 2023.

Gross Insurance contract liabilities at 31 December 2023

	2018 And Earlier	2019	2020	2021	2022	2023	**Total**
At the of the Accident Year	1,637,426,185	194,416,256	188,395,449	215,627,803	257,723,042	427,384,531	**2,920,973,265**
One Year Later	1,595,133,833	173,456,931	168,014,090	194,333,287	238,831,525	-	**2,369,769,666**
Two Year Later	1,563,324,106	192,620,777	161,289,454	188,626,752	-	-	**2,105,861,089**
Three Year Later	1,560,816,996	169,345,375	141,406,143	-	-	-	**1,871,568,514**
Four Year Later	1,540,051,359	163,616,371	-	-	-	-	**1,703,667,730**
Five Year Later	1,527,446,197	-	-	-	-	-	**1,527,446,197**
Estimate of cumulative claims	1,527,446,197	163,616,371	141,406,143	188,626,752	238,831,525	427,384,531	**2,687,311,518**
Cumulative Payment to Date	1,513,938,667	155,583,365	122,992,313	151,609,915	163,664,930	81,772,078	**2,189,561,267**
Unallocated loss adjustment expense reserve							**5,983,537**
Claim payable							**100,010,644**
Total gross undiscounted liabilities for incurred claims							**603,744,432**
Attributable expenses							**(37,802,774)**
Mathematical reserves							**4,266,517**
Effect of discounting							**(17,316,531)**
Total discounted gross reserves included in the statement of financial position							**552,891,644**
Gross risk adjustments							**46,057,906**

11 Insurance and reinsurance contracts (continued)

Net Insurance contract liabilities at 31 December 2023

	2018 And Earlier	2019	2020	2021	2022	2023	Total
At the of the Accident Year	1,059,347,152	50,255,563	39,422,956	47,654,754	55,268,067	53,784,753	**1,305,733,245**
One Year Later	1,037,269,505	46,218,076	31,510,405	41,334,186	52,235,775	-	**1,208,567,948**
Two Year Later	1,022,738,097	43,636,748	30,439,126	39,833,067	-	-	**1,136,647,038**
Three Year Later	1,015,873,260	42,259,317	24,295,006	-	-	-	**1,082,427,584**
Four Year Later	1,012,087,453	39,228,460	-	-	-	-	**1,051,315,913**
Five Year Later	1,009,889,576	-	-	-	-	-	**1,009,889,576**
Estimate of cumulative claims	1,009,889,576	39,228,460	24,295,006	39,833,067	52,235,775	53,784,753	**1,219,266,637**
Cumulative Payment to Date	1,000,111,898	38,769,567	22,818,770	35,938,366	48,835,564	23,925,715	**1,170,399,879**
Unallocated loss adjustment expense reserve							**5,983,537**
Claim payable – net							**100,010,644**
Total net undiscounted liabilities for incurred claims							**154,860,939**
Attributable expenses							**(37,802,774)**
Mathematical reserves							**700,784**
Effect of discounting							**(2,184,771)**
Total discounted net reserves included in the statement of financial position							**115,574,178**
Net risk adjustments							**3,310,510**

12 Cash and cash equivalents

	2023 AED	2022 AED
Cash on hand	**229,227**	286,850
Current accounts	**24,996,898**	24,256,805
Term deposits*	**183,932,075**	176,988,081
Bank balances and cash	**209,158,200**	201,531,736
Less: term deposits with an original maturity of more than three months	**(183,932,075)**	(176,988,081)
Cash and cash equivalents	**25,226,125**	24,543,655

*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 31 December 2023 (2022: AED 392,227).

Geographical concentration of cash and bank balances is as follows:

	2023 AED	2022 AED
Within UAE	**209,158,200**	201,531,736

The interest rate on term deposits and current accounts with banks ranges between 4.69%-5.85% (2022: 2.0% and 4.85%) 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	**2023 AED**	2022 AED
Due from policyholders – related parties	Affiliates	**290,866**	341,138

Transactions with related parties during the period are as follows:

	Nature of relationship	**2023 AED**	2022 AED
Gross premiums written	Affiliates	**1,730,400**	1,858,248
Claims paid	Affiliates	**731,544**	1,321,716
Remuneration of the Directors (note 17)		**3,375,000**	3,375,000

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

Remuneration of key management personnel

	2023 AED	2022 AED
Short term benefits	**2,349,720**	2,349,720
Post-employment benefits	**114,907**	114,907
	2,464,627	2,464,627

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

	2023 AED	2022 AED
Authorised, issue and fully paid:		
100,000,000 (2022: 100,000,000) ordinary shares of AED 1 each	**100,000,000**	100,000,000

Dividends:
On 9 February 2023, the Board of Directors declared a cash dividend of 0.30 fils per share amounting to AED 30,000,000 (2022: of 0.35 fils per share amounting to AED 35,000,000).

15 Reserves

Legal reserve

In accordance with the UAE Federal Law No. 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) (now Central Bank of the UAE) 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

	2023	2022
	AED	AED
At 1 January	**7,293,748**	8,456,579
Charge for the year	**534,712**	526,551
Paid during the year	**(173,381)**	(1,689,382)
At 31 December	**7,655,079**	7,293,748

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 213,005 (2022: AED 229,703).

17 Other payables

	2023 AED	2022 AED
Dividend payable	**789,107**	5,281,154
Insurance Authority (now Central Bank of the UAE) fees reserve	**1,258,077**	1,204,584
Deferred income	**1,388,629**	1,229,423
Provision for directors renumeration	**3,375,000**	3,375,000
Other payables	**8,619,987**	12,806,311
	15,430,800	23,896,472

18 Profit for the year

Profit for the year is stated after charging:

	2023 AED	2022 AED *Restated*
Staff costs	**25,889,433**	**26,677,479**
Depreciation of property, equipment and right-of-use assets	**1,425,294**	**1,819,388**
Amortisation of intangible assets (notes 4)	**1,156,127**	**996,862**

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.

	2023 AED	2022 AED *Restated*
Profit for the year (AED)	**41,303,047**	**22,961,846**
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	**100,000,000**
Basic and diluted earnings per share (AED)	**0.41**	0.23

Basic earnings per share is calculated by dividing the profit for the year by the number of weighted average shares outstanding during the reporting year. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

20 Income from investments

	2023 **AED**	2022 AED
Dividend income	**9,966,004**	10,236,700
Interest income	**8,724,127**	5,724,655
Change in fair value of investments carried at fair value through profit or loss (note 9)	**17,335,346**	(179,728)
Realised gain on sale of investments carried at fair value through profit or loss	**4,130,668**	308,423
Other investment expenses	**(1,190,611)**	(3,204,148)
Income from investment	**38,965,534**	12,885,902
Income from properties	**1,915,816**	1,987,437
Change in fair value of investment properties	**-**	2,100,000
Other income/(expenses)	**2,700**	(114,685)
Income from investment, net	**40,884,050**	16,858,654

21 Insurance service expenses

	2023 **AED**	2022 AED *Restated*
For the year ended 31 December		
Incurred claims and other expenses	**226,251,320**	231,659,290
Amortisation of insurance acquisition cash flows	**45,121,330**	50,697,766
Losses on onerous contracts and reversals of those losses	**40,758,771**	22,809,351
Changes to liabilities for incurred claims	**189,641,062**	23,249,170
	501,772,483	328,415,577

22 (Re)Insurance finance income/(expenses)

	2023 AED	2022 AED *Restated*
Insurance finance (expenses)/ income from insurance contracts issued		
Interest accreted to insurance contracts using current financial assumptions	**(16,528,601)**	2,403,404
Due to changes in interest rates and other financial assumptions	**-**	-
Total insurance finance (expenses)/income from insurance contracts issued	**(16,528,601)**	2,403,404
Represented by:		
Amount recognised in profit or loss	**(16,528,601)**	2,403,404
Amount recognised in OCI	**-**	-
Reinsurance finance income/(expenses) from reinsurance contracts held		
Interest accreted to reinsurance contracts using current financial assumptions	**13,706,705**	(1,429,479)
Changes in non-performance risk of reinsurer	**-**	-
Due to changes in interest rates and other financial assumptions	**-**	-
Reinsurance finance income/(expenses) from reinsurance contracts held	**13,706,705**	(1,429,479)
Represented by:		
Amount recognised in profit or loss	**13,706,705**	(1,429,479)
Amount recognised in OCI	**-**	-
Total insurance finance expenses and reinsurance finance income		
Represented by:		
Amount recognised in profit or loss	**(2,821,896)**	973,925
Amount recognised in OCI	**-**	-

23 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.

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 2023 and 31 December 2022. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve, reinsurance reserve and retained earnings, and is measured at AED 464 million as at 31 December 2023 (2022 (*restated*): AED 443 million).

23 Risk management (continued)

Approach to capital management (continued)

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 48 of 2023 (previously Federal Law No.6 of 2007, as amended) 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.

	2023 **AED**	2022 AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**145,125,233**	135,894,308
Minimum Guarantee Fund (MGF)	**48,375,078**	45,298,103
Own Funds		
Basic Own Funds	**270,445,136**	254,937,880
Ancillary Own Funds	**-**	-
MCR Solvency Margin surplus	**170,445,136**	154,937,880
SCR Solvency Margin surplus	**125,319,903**	119,043,572
MGF Solvency Margin surplus	**222,070,058**	209,639,777

24 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 (now Central Bank of the UAE) 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 Company 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.

24 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.

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

	As at 31 December 2023		
	Gross	Reinsurance	Net
	AED	AED	AED
Life and Medical	29,097,472	(21,221,492)	7,875,980
Motor and General	691,249,720	(514,982,081)	176,267,639
	720,347,192	(536,203,573)	184,143,619

24 Insurance and financial risk (continued)

Frequency and severity of claims (continued)

	As at 31 December 2022 (*Restated*)		
	Gross AED	Reinsurance AED	Net AED
Life and Medical	27,527,136	(28,859,230)	(1,332,094)
Motor and General	442,716,469	(267,994,732)	174,721,737
	470,243,605	(296,853,962)	173,389,643

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.

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.

24 Insurance and financial risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)
The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by line of business where the insured operates for current and prior year premium earned.

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Gross loss ratio	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**218%**	**156%**	201%	134%
Fire	**144%**	**59%**	167%	71%
Medial	**164%**	**131%**	113%	148%
Engineering	**163%**	**38%**	225%	89%
Marine	**302%**	**90%**	107%	45%
Workmen's compensation and third-party liability	**108%**	**49%**	165%	85%
Other line of business	**177%**	**90%**	94%	63%

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

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

	For the year ended 31 December	
	2023 AED	2022 AED
Impact of change in loss ratio by +/- 1%		
Motor	**10,291,144**	7,821,798
Fire	**(358,649)**	-
Medial	**3,449,432**	2,647,250
Engineering	**(29,139)**	-
Marine	**(356,952)**	73,725
Workmen's compensation and third-party liability	**599**	-
Other line of business	**(16,325)**	-

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.

24 Insurance and financial risk (continued)

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.

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 2023		31 December 2022	
	Gross	**Net**	Gross	Net
	AED	**AED**	AED	AED
Motor				
UAE	**1,101,313,491**	**330,334,047**	**949,817,154**	**291,653,896**
Non-motor				
UAE	**205,426,853,579**	**2,833,779,075**	**206,413,229,886**	**2,683,517,423**
GCC Countries	**18,728,371,032**	**3,164,173,122**	**13,763,225,472**	**163,355**
	224,155,224,611	**5,997,952,197**	**220,176,455,358**	**2,683,680,778**
Grand Total	**225,256,538,102**	**6,328,286,244**	**221,126,272,512**	**2,975,334,674**

Sensitivity of underwriting profit and losses

The insurance operations of the Company resulted in a segment profit of AED 40,347,654 (2022: AED 46,818,744).

• The Company has an overall risk retention level in the region of 1.4% (2022: 1.35%) 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 3,115,509 during the year against AED 2,329,681 in 2022 from underwriting operations, predominantly from the reinsurance placement which remains as a comfortable source of income.

24 Insurance and financial risk (continued)

Concentration of insurance risk (continued)

Credit risk

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

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

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 13.41% of outstanding accounts receivable at 31 December 2023 (2022: 23%).

At 31 December 2023 and 2022, 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.

24 Insurance and financial risk (continued)

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 3,428,312 (2022: AED 4,039,993).

<u>For investments measured at fair value through other comprehensive income</u>
Changes in revaluation reserves of shares would increase/decrease by AED 24,602,666 (2022: AED 24,095,660) as a result of the changes in fair value of quoted shares.

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.

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

The Company is exposed to interest rate risk on:

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

If at the end of the reporting period, the interest rates on the bank borrowings had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 31 December 2023 would have decreased / increased by AED Nil (year ended 31 December 2022: Nil).

24 Insurance and financial risk (continued)

Interest rate risk (continued)

The below tables show the impact of 1% change in risk adjustment and discounting on liability for incurred claims and assets for incurred claims:

31 December 2023

	Impact on profit gross of reinsurance	Impact on profit net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Risk Adjustment				
1% increase	(4,839,086)	4,374,271	(4,839,086)	4,374,271
1% decrease	4,378,221	(3,957,674)	4,378,221	(3,957,674)
Discounting				
1% increase	3,225,078	(2,816,134)	3,225,078	(2,816,134)
1% decrease	(3,401,625)	2,973,226	(3,401,625)	2,973,226

31 December 2022

	Impact on profit gross of reinsurance	Impact on profit net of reinsurance	Impact on equity gross of reinsurance	Impact on equity net of reinsurance
Risk adjustment				
1% increase	(3,197,552)	2,715,469	(3,197,552)	2,715,469
1% decrease	2,893,023	(2,456,853)	2,893,023	(2,456,853)
Discounting				
1% increase	5,769,183	(4,545,443)	5,769,183	(4,545,443)
1% decrease	(5,469,757)	4,305,282	(5,469,757)	4,305,282

24 Insurance and financial risk (continued)

Interest rate risk (continued)

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 2023 and 31 December 2022, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED	Non-current >1 year AED	No maturity AED	Total AED
31 December 2023				
Financial assets				
FVTPL investments – debt	**3,162,062**	**-**	**-**	**3,162,062**
FVTPL investments – equity	**-**	**-**	**120,840,851**	**120,840,851**
FVTOCI investments – equity	**-**	**-**	**246,026,664**	**246,026,664**
Statutory deposit	**-**	**-**	**9,980,000**	**9,980,000**
Other receivables (excluding advances and prepayments)	**6,786,586**	**-**	**-**	**6,786,586**
Bank balances and fixed deposits	**183,932,075**	**-**	**-**	**183,932,075**
Cash and cash equivalents	**25,226,125**	**-**	**-**	**25,226,125**
	219,106,848	**-**	**376,847,515**	**595,954,363**

24 Insurance and financial risk (continued)

Liquidity risk (continued)

	Current Up to 1 year	Non-current >1 year	No maturity	Total
	AED	AED	AED	AED
Financial liabilities				
Provision for employees' end of service	**-**	**7,655,079**		**7,655,079**
Lease liabilities	**847,420**	**5,092,324**		**5,939,744**
Other payables (excluding deferred income)	**14,042,171**	**-**		**14,042,171**
	14,889,591	**12,747,403**		**27,636,994**
31 December 2022				
Financial assets				
FVTPL investments – debt	4,183,636	-	-	4,183,636
FVTPL investments – equity	-	-	112,348,685	112,348,685
FVTOCI investments – equity	-	-	240,956,595	240,956,595
Statutory deposit	-	-	9,980,000	9,980,000
Other receivables (excluding advances and prepayments)	3,619,660	-	-	3,619,660
Bank balances and fixed deposits	176,988,081	-	-	176,988,081
Cash and cash equivalents	24,543,655	-	-	24,543,655
	209,335,032	-	363,285,280	572,620,312
Financial liabilities				
Provision for employees' end of service	-	7,293,748		7,293,748
Lease liabilities	1,188,053	5,350,892		6,538,945
Other payables	22,667,049	-		22,667,049
	23,855,102	12,644,640		36,499,742

24 Insurance and financial risk (continued)

`	Less than 1 year AED	1-5 years AED	5+ years AED	Total AED
31 December 2023				
Insurance contract assets	**53,608,521**	**-**	**-**	**53,608,521**
Reinsurance contract assets	**168,890,362**	**415,109,419**	**-**	**583,999,781**
	222,498,883	**415,109,419**	**-**	**637,608,302**
Insurance contract liabilities	**100,614,243**	**673,341,470**	**-**	**773,955,713**
Reinsurance contract liabilities	**47,796,208**	**-**	**-**	**47,796,208**
	148,410,451	**673,341,470**	**-**	**821,751,921**

	Less than 1 year AED	1-5 years AED	5+ years AED	Total AED
31 December 2022 (*restated*)				
Insurance contract assets	30,449,506	-	-	30,449,506
Reinsurance contract assets	92,360,650	227,009,850	-	319,370,500
	122,810,156	227,009,850	-	349,820,006
Insurance contract liabilities	65,090,104	435,603,007	-	500,693,111
Reinsurance contract liabilities	22,516,538	-	-	22,516,538
	87,606,642	435,603,007	-	523,209,649

25 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.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2023 and 31 December 2022:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2023				
Investments carried at fair value through other comprehensive income	**246,026,664**	**-**	**-**	**246,026,664**
Investments carried at fair value through profit and loss	**37,445,190**	**79,511,873**	**7,045,850**	**124,002,913**
	283,471,854	**79,511,873**	**7,045,850**	**370,029,577**
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

25 Fair value of financial instruments (continued)

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 2023 and 31 December 2022, 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.

26 Segment reporting

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.

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

	For the year ended 31 December 2023		
	Underwriting AED	**Investments AED**	**Total AED**
Insurance revenue	**320,617,883**	**-**	**320,617,883**
Insurance service expenses	**(501,772,483)**	**-**	**(501,772,483)**
nsurance service result before reinsurance contracts held	**(181,154,600)**	**-**	**(181,154,600)**
Allocation of reinsurance premiums	**(247,708,191)**	**-**	**(247,708,191)**
Amounts recoverable from reinsurance	**423,708,417**	**-**	**423,708,417**
Net income from reinsurance contracts held	**176,000,226**	**-**	**176,000,226**
Investment income	**-**	**40,884,050**	**40,884,050**
Finance expenses from insurance contracts issued	**(16,528,601)**	**-**	**(16,528,601)**
Finance income from reinsurance contracts held	**13,706,705**	**-**	**13,706,705**
Net insurance financial result	**(7,976,270)**	**40,884,050**	**32,907,780**
Other operating income	**8,786,456**	**-**	**8,786,456**
Other underwriting income	**(391,189)**	**-**	**(391,189)**
Profit for the year	**418,997**	**40,884,050**	**41,303,047**

26 Segment reporting (continued)

	For the year ended 31 December 2022 *(restated)*		
	Underwriting AED	**Investments** AED	Total AED
Insurance revenue	319,562,296	-	319,562,296
Insurance service expenses	(328,415,577)	-	(328,415,577)
Insurance service result before reinsurance contracts held	(8,853,281)	-	(8,853,281)
Allocation of reinsurance premiums	(238,026,470)	-	(238,026,470
Amounts recoverable from reinsurance	243,260,839	-	243,260,839
Net income from reinsurance contracts held	5,234,369	-	5,234,369
Investment income	-	16,858,654	16,858,654
Finance income from insurance contracts issued	2,403,404	-	2,403,404
Finance expenses from reinsurance contracts held	(1,429,479)	-	(1,429,479)
Net insurance financial result	(2,644,987)	16,858,654	14,213,667
Other operating expenses	8,899,013	-	8,899,013
Other underwriting income	(150,834)	-	(150,834)
Profit for the year	6,103,192	16,858,654	22,961,846

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

	As at 31 December 2023		
	Underwriting AED	**Investments AED**	**Total AED**
Total assets	**680,625,481**	**633,953,877**	**1,314,579,358**
Total liabilities	**849,327,870**	**1,449,674**	**850,777,544**

	As at 31 December 2022 *(restated)*		
	Underwriting AED	**Investments** AED	Total AED
Total assets	389,863,174	614,469,222	1,004,332,396
Total liabilities	559,674,346	1,264,468	560,938,814

26 Segment reporting (continued)

Revenue from underwriting departments

Gross written premium

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

31 December 2023	**Life Insurance AED**	**Fund Accumulation AED**	**Medical Insurance AED**	**Property & Liability AED**	**All types of Business Combined AED**
Direct Written Premiums	**496,356**	**-**	**32,770,526**	**225,340,501**	**258,607,383**
Assumed Business					
Foreign	**-**	**-**	**-**	**-**	**-**
Local	**79,815**	**-**	**-**	**68,602,473**	**68,682,288**
Total Assumed Business	**79,815**	**-**	**-**	**68,602,473**	**68,682,288**
Gross Written Premiums	**576,171**	**-**	**32,770,526**	**293,942,974**	**327,289,671**

31 December 2022	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct Written Premiums	1,271,093	-	47,679,834	202,263,290	251,214,217
Assumed Business					
Foreign	-	-	-	-	
Local	81,466	-	-	66,150,278	66,231,765
Total Assumed Business	81,466	-	-	66,150,278	66,231,765
Gross Written Premiums	1,352,579	-	47,679,834	268,413,569	317,445,982

27 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

	2023	2022
	AED	AED
Bank guarantees	**11,914,421**	11,914,421

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

28 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.

29 Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on 13 February 2024.