DUBAI NATIONAL INSURANCE & REINSURANCE Co. (P.S.C.)
DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2022

Dubai National Insurance & Reinsurance PSC (DNIR)
Board of Directors' Statement
For the year ended 31st December 2022

On behalf of the Board of Directors, I would like to present our 31st Financial Results together with the Audited Financial Statements for the year ended 31st December 2022.

I am delighted to announce that DNIR has reported throughout the year 2022 strong underwriting results and profitability. DNIR demonstrated robust results with a full-year net profit of AED 44.1 million, with an increase of 39.1% in the Gross Written Premiums compared to the previous year. DNIR positive results amidst the challenging market conditions reflect the successful delivery of the company's transformation strategy.

DNIR Board of Directors, as well as the management team, remain committed to driving standards of excellence and delivering increasing returns to the shareholders. Our priority is to ensure that DNIR is positioned amongst the regional market leaders by leveraging on our innovative capabilities and differentiated offering.

Cash Balances
The cash balances stood at AED 202.7 million as at 31st December 2022, compared to AED 137.7 million as at 31st December 2021

Investments
Total investments including cash and bank balances, Investments in Equity and Debt instruments and investment properties stood at AED 836.9 million as at 31st December 2022, compared to AED 857.9 million as at 31st December 2021.

Total Assets
The total assets stood at AED 1,250 million as at 31st December 2022, compared to AED 1,146 million as at 31st December 2021.

Shareholders' Equity
The Shareholders' Equity position stood at AED 677.7 million as at 31st December 2022, compared to AED 749.7 million as at 31st December 2021

Basic and Diluted Earnings Per Share and Net Profit
Basic and diluted earnings per share stood at AED 0.38 as a result of achieving a net profit of AED 44.1 million for the year 2022 compared to basic and diluted earnings per share of AED 0.51 resulting from a net profit of AED 58.8 million last year.

Despite the market challenges, we can be proud of what we have achieved in 2022. Our bench strength remains strong, as demonstrated by consistent and good underwriting results and strong operating performance. We acknowledge the gratitude, support and guidance received from our UAE's leadership.

We head into 2023 with renewed optimism and a focus on continuity and progress as we expect market conditions to improve. I am fully confident in our ability to continue building on our expertise to deliver value for the community and our stakeholders over the coming years by supporting the country's long-term growth.

Khalaf Ahmad Al Habtoor
Chairman of the Board

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Dubai National Insurance & Reinsurance PSC (DNIR)
Chief Executive Officer's Statement
For the year ended 31st December 2022

I hereby present DNIR Financial Results for the year ended 31st December 2022.

DNIR delivered a good performance with a net profit of AED 44.1 million. DNIR recorded numerous achievements as part of our transformation journey amidst tough market conditions during the year 2022 including the rating upgrade to A- (Excellent) by AM Best which is a testimony to our financial strength and receiving ISO 9001:2015 Certification.

We will continue implementation of our automation and digitalization plans to ensure providing fast and efficient services to the customers. Also, we will continue to take the necessary measures to maximize shareholder value, as well as support our employees and customers. Further, we will continue to contribute to the betterment of society and the community.

Key Financial Highlights

Gross Written Premiums
DNIR's Gross Written Premium increased to AED 419 million during 2022, compared to AED 301 million for the year 2021.

Premium Retention
The overall premium retention ratio was 41.9% for the year 2022 compared to 36.0% for the year 2021.

Net Underwriting Income
For the year 2022, DNIR Net Underwriting Income stood at AED 38.5 million, against AED 55.9 million for the year 2021.

General and Administrative Expenses
General and Administrative Expenses for the year 2022 increased to AED 31.6 million, compared to AED 25.9 million for the year 2021.

Net Profit
Net Profit is AED 44.1 million for the year 2022, against AED 58.8 million for the year 2021.

Appreciation
I am proud of what we were able to achieve in a tough competitive market and would like to thank our employees for their dedicated efforts and customer-centric approach. We will continue to optimize our business and keep introducing innovative products and services to meet the changing needs of our customers over the next years.

I would like to thank our Chairman, Board of Directors and shareholders for their continued support, our clients and business partners for their trust in our company and our management team and employees for their diligent efforts.

Abdulla Al Nuaimi
Chief Executive Officer

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements together with the 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 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premium reserve, outstanding claims reserve, incurred but not reported reserve, unallocated loss adjustment expense reserve and unexpired risk reserve as disclosed in note 11 to these financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs, mortality and persistency (including consideration of policyholder behaviour). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

We assessed management's judgement and calculation of the technical reserves by performing the following procedures:

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

ii) Valuation of investment properties and change in accounting policy

During the year ended 31 December 2022, the Company has changed its accounting policy for investment properties from cost model to fair value model. As a result, financial statements have been restated and profit for the year ended 31 December 2022 has increased by AED 10.4 million, as disclosed in note 31 to these financial statements. The impact of change in accounting policy, its effect on the opening balances, disclosures in the financial statements together with change in current year's profit was significant to our audit.

The fair value of investment properties as at 31 December 2022 amounts to AED 149.3 million (2021: AED 140.8 million (restated)), as detailed in note 6. The fair value estimate requires significant judgement and estimates by management and independent external valuers. The Company has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.

Our audit procedures, among others, included:

- Evaluating management's assessment of change in accounting policy, its compliance with the IFRSs and assessing the reasons for how it improved the reliability and presentation of the Company's financial position;
- Assessing the competence, capabilities, and objectivity of external valuers;
- Evaluating the accuracy and completeness of the source data used in the calculation of fair values;
- Assessing the appropriateness of the key assumptions and methodologies used;
- Performing physical inspection of the properties; and
- Performing an independent calculation by carrying out enquiries with management and independent valuer, including performing reasonableness computation by using publicly available sources of information to independently corroborate the valuation performed by management expert.

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

Responsibilities of 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 IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021 and Federal Law No. 6 of 2007 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 scepticism 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on the Audit of the Financial Statements (continued)

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal 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 Law No. 32 of 2021;

iii) The Company has maintained proper books of account;

iv) The financial information included in the Directors' Statement and Chief Executive Officer's Statement, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) Note 7 to the financial statements discloses additions of marketable securities by the Company during the year ended 31 December 2022;

vi) Note 10 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the Federal Law No. 32 of 2021, or in respect of the Company, its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022.

Further, as required by the UAE 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.

Furthermore, as required by the CBUAE Insurance Reporting Requirements for 2023, Note 7 to the financial statements discloses information on assets that are held by a related party for the beneficial interest of the Company.

Grant Thornton

Grant Thornton Public Accountants P.O. Box: 1620 DUBAI-U.A.E.

GRANT THORNTON
Farouk Mohamed
Registration No. 86
Dubai, March 14, 2023

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of financial position
As at 31 December 2022

	Notes	2022 AED'000	Restated 2021 AED'000	Restated 2020 AED'000
ASSETS				
Statutory deposits	4	**10,000**	10,000	10,000
Property and equipment	5	**4,917**	473	582
Investment properties	6	**149,342**	140,750	140,166
Financial assets	7	**474,885**	569,470	426,882
Insurance receivables	8	**142,127**	66,080	70,371
Other receivables	9	**41,249**	26,677	24,231
Amounts due from related parties	10	**19,973**	21,657	31,256
Reinsurance contract assets	11	**204,832**	173,351	197,462
Cash and bank balances	12	**202,679**	137,709	97,945
TOTAL ASSETS		**1,250,004**	1,146,167	998,895
EQUITY AND LIABILITIES				
EQUITY				
Share capital	13	**115,500**	115,500	115,500
Legal reserve	14	**57,750**	57,750	57,750
General reserve	15	**180,000**	180,000	180,000
Reinsurance reserve	16	**3,241**	2,023	1,059
Fair value reserve on financial assets at fair value through other comprehensive income		**161,038**	220,505	77,917
Retained earnings		**160,217**	173,903	142,625
TOTAL EQUITY		**677,746**	749,681	574,851
LIABILITIES				
Employees' end of service benefits	17	**4,299**	4,091	7,092
Insurance contract liabilities	11	**355,479**	274,833	303,723
Insurance payables	18	**165,526**	68,734	65,148
Other payables	19	**42,622**	45,690	43,789
Amounts due to related parties	10	**4,332**	3,138	4,292
TOTAL LIABILITIES		**572,258**	396,486	424,044
TOTAL EQUITY AND LIABILITIES		**1,250,004**	1,146,167	998,895

These financial statements were approved by the Board of Directors on 14 March 2023 and signed on their behalf by:

Khalaf Ahmad Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

The notes 1 to 32 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

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

	Notes	2022 AED'000	Restated 2021 AED'000
Gross premiums		**419,112**	301,239
Reinsurance share of premiums		**(243,603)**	(192,789)
Net premiums		**175,509**	108,450
Net transfer to unearned premium reserve	11 (a)	**(41,954)**	(7,085)
Net premiums earned		**133,555**	101,365
Commission earned		**20,698**	20,477
Commission paid		**(35,283)**	(32,090)
Other underwriting income		**2,292**	3,138
Gross underwriting income		**121,262**	92,890
Gross claims paid		**183,724**	185,415
Reinsurance share		**(108,221)**	(136,646)
Net claims paid		**75,503**	48,769
Net movement of outstanding claims and technical provisions		**13,658**	(30,211)
Reinsurance share of outstanding claims and technical provisions		**(6,447)**	18,347
Net claims incurred		**82,714**	36,905
Net underwriting income		**38,548**	55,985
Income from investments – net	20	**23,231**	22,733
Income from investment properties – net	21	**13,897**	5,907
Other income		**-**	164
Gross income		**75,676**	84,789
General and administrative expenses	22	**(31,587)**	(25,954)
Net profit for the year		**44,089**	58,835

			Restated
Earnings per share:		**AED**	AED
Basic and diluted	23	**0.38**	0.51

The notes 1 to 32 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of comprehensive income
For the year ended 31 December 2022

	2022 AED'000	Restated 2021 AED'000
Net profit for the year	**44,089**	58,835
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net unrealised loss on debt investments carried at FVTOCI	**(4,371)**	(839)
Items that will not be reclassified subsequently to profit or loss		
Net unrealised (loss) /gain on financial assets at fair value through other comprehensive income	**(74,044)**	143,427
Net realised gain on financial assets at fair value through other comprehensive income	**1,328**	13,601
Other comprehensive (loss) / income for the year	**(77,087)**	156,189
Total comprehensive (loss) / income for the year	**(32,998)**	215,024

The notes 1 to 32 form an integral part of these financial statements.

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

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Fair value reserve on financial assets at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at 1 January 2021 (as previously stated)	115,500	57,750	180,000	1,059	77,917	74,662	506,888
Restatement due to change in accounting policy (note 31)	-	-	-	-	-	67,963	67,963
Balance as at 1 January 2021 (restated)	115,500	57,750	180,000	1,059	77,917	142,625	574,851
Dividend declared and paid (note 25)	-	-	-	-	-	(34,650)	(34,650)
Directors' remuneration (note 19)	-	-	-	-	-	(5,544)	(5,544)
Transactions with owners	-	-	-	-	-	(40,194)	(40,194)
Net profit for the year (restated)	-	-	-	-	-	58,835	58,835
Transfer to reinsurance reserve	-	-	-	964	-	(964)	-
Transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(13,601)	13,601	-
Net unrealised gain on financial assets at fair value through other comprehensive income	-	-	-	-	142,588	-	142,588
Net realised gain on financial assets at fair value through other comprehensive income	-	-	-	-	13,601	-	13,601
Total comprehensive income for the year	-	-	-	964	142,588	71,472	215,024
Balance as at 31 December 2021 (restated)	115,500	57,750	180,000	2,023	220,505	173,903	749,681
Dividend declared and paid (note 25)	-	-	-	-	-	**(34,650)**	**(34,650)**
Directors' remuneration (note 19)	-	-	-	-	-	**(4,287)**	**(4,287)**
Transactions with owners	-	-	-	-	-	**(38,937)**	**(38,937)**
Net profit for the year	-	-	-	-	-	**44,089**	**44,089**
Transfer to reinsurance reserve	-	-	-	**1,218**	-	**(1,218)**	-
Transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	**17,620**	**(17,620)**	-
Net unrealised loss on financial asset at fair value through other comprehensive income	-	-	-	-	**(78,415)**	-	**(78,415)**
Net realised gain on financial assets at fair value through other comprehensive income	-	-	-	-	**1,328**	-	**1,328**
Total comprehensive income / (loss) for the year	-	-	-	**1,218**	**(59,467)**	**25,251**	**(32,998)**
Balance as at 31 December 2022	**115,500**	**57,750**	**180,000**	**3,241**	**161,038**	**160,217**	**677,746**

The notes 1 to 32 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of cash flows
For the year ended 31 December 2022

	Notes	2022 AED'000	Restated 2021 AED'000
Cash flows from operating activities			
Net profit for the year		**44,089**	58,835
Adjustments for:			
Depreciation on property and equipment	5	**243**	286
Gain from change in fair value of investment properties	6	**(8,592)**	(584)
Gain on disposal of property and equipment		**-**	(164)
Provision for employees' end of service benefits	17	**864**	339
Income from investments – net	20	**(23,231)**	(22,733)
Income from investment properties		**(5,305)**	(5,323)
Operating cash flows before changes in working capital		**8,068**	30,656
Changes in working capital:			
Insurance receivables		**(76,047)**	4,291
Other receivables		**(14,572)**	(2,446)
Reinsurance contract assets		**(31,481)**	24,111
Insurance contract liabilities		**80,646**	(28,890)
Insurance payables		**96,792**	3,586
Other payables		**(7,355)**	(3,643)
Due from related parties		**1,684**	9,599
Due to related parties		**1,194**	(1,154)
Cash generated from operations		**58,929**	36,110
Employees' end of service benefits paid	17	**(656)**	(3,340)
Net cash generated from operating activities		**58,273**	32,770
Cash flows from investing activities			
Purchase of property and equipment	5	**(4,687)**	(256)
Proceeds from disposals of property and equipment		**-**	243
Purchase of financial assets at fair value through other comprehensive income	7	**(21,892)**	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		**41,573**	13,601
Net movement in fixed deposits		**(54,803)**	(44,841)
Income received from investments – net		**21,048**	22,733
Income received from investment properties		**5,305**	5,323
Net cash used in investing activities		**(13,456)**	(3,197)
Cash flows from financing activity			
Dividend paid	25	**(34,650)**	(34,650)
Net cash used in financing activity		**(34,650)**	(34,650)
Net change in cash and cash equivalents		**10,167**	(5,077)
Cash and cash equivalents at beginning of the year		**57,092**	62,169
Cash and cash equivalents at end of the year	12	**67,259**	57,092

The notes 1 to 32 form an integral part of these financial statements.

1 Legal status and activities

Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on 6 January 1992.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Law No. 6 of 2007, concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations.

As of 2 January 2022, the Company is subject to compliance with UAE Federal Law No. 32 of 2021, which replaces UAE Federal Law No. 2 of 2015 (as amended). The financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021. The Shareholders of the Company are currently in the process of amending the statutory documents, to reflect the changes required due to application of the UAE Federal law No. (32) of 2021.

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

The registered address of the Company is at Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O. Box 1806, Dubai, U.A.E.

2 Statement of compliance with IFRS

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

2.1 Standards, interpretations and amendments effective from 1 January 2022

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

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

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

2.2 Standards issued but not yet effective

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

2 Statement of compliance with IFRS (continued)

2.2 Standards issued but not yet effective (continued)

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

IFRS 17, the new accounting standard for insurance contracts, was issued by the International Accounting Standards Board (IASB) in May 2017. Since the standard was first issued, various implementation matters have been raised by stakeholders. Subsequently, the IASB issued further amendments to the standard in June 2020 and December 2021, including delaying its effective date, which for the Company means the standard is applicable to reporting periods from 1 January 2023.

For the Company, IFRS 17 replaces IFRS 4 Insurance Contracts. The first applicable reporting period for the Company is for the year ending 31 December 2023, with a restated comparative period for the year ending 31 December 2022.

The Company continues to assess the impact of the application of IFRS 17, with the relevant key areas of consideration set out below.

Measurement models

IFRS 17 introduces the general measurement model, also known as the building block approach, which consists of fulfilment cash flows and a contractual service margin. The fulfilment cash flows represent the risk adjusted present value of an entity's rights and obligations to the policyholders, comprising estimates of expected cash flows, discounting, and an explicit risk adjustment for non-financial risk. The contractual service margin represents the unearned profit from in-force contracts that an entity will recognise as it provides services over the coverage period. The contractual service margin is earned based on a pattern of coverage units, reflecting the quantity of benefits provided. For contracts measured under the general measurement model, IFRS 17 is expected to have a significant impact on actuarial modelling as more granular cash flow projections and regular updates of assumptions will be required.

The premium allocation approach is a simplified approach an entity may choose to adopt when certain criteria are met, either where the liability for remaining coverage under the premium allocation approach is not expected to differ materially from that under the general measurement model or the coverage period of contracts are less than one year. However, the general measurement model remains applicable for the measurement of the liability for incurred claims, whereby all incurred claims are subject to discounting and risk adjustment. In determining the cash flows used in the measurement of the liability for incurred claims, The Company intends to consistently maintain the reserving approach currently adopted under IFRS 4. The simplification relates to the measurement of the liability for remaining coverage, which is not disaggregated into fulfilment cash flows and a contractual service margin, but rather is largely based on premium received. In this regard, the premium allocation approach has similarities to the current accounting requirements for general insurance contracts under IFRS 4.

The Company intends to use, to the extent permissible by IFRS 17, the premium allocation approach for both insurance and reinsurance contracts. The Company is nearing completion of its detailed impact assessment and has indicatively determined that the Company is expected to be eligible to apply the premium allocation approach to insurance contracts issued and to its reinsurance contracts held. This indicative outcome is based on the latest assessment undertaken and current portfolio mix.

For groups of contracts that apply the premium allocation approach and have a coverage period of one year or less, IFRS 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Company does not currently intend to apply this option and so continue to amortise acquisition costs over the coverage period of the related insurance contracts, consistent with current accounting treatment under IFRS 4.

2 Statement of compliance with IFRS (continued)

2.2 Standards issued but not yet effective (continued)

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

Level of aggregation and onerous contract losses (loss component)

Under IFRS 17, measurement is not considered at the individual contract level, but on the basis of portfolios which comprise contracts subject to similar risk and managed together. These portfolios are further subdivided into specified measurement groups based on contracts concluded in annual cohorts and on their profitability. To determine if the contracts are onerous, the standard permits measurement of a group of contracts. All fulfilment cash flows resulting from the rights and obligations under the insurance contracts must be considered and determined on a gross basis, excluding the effect of reinsurance.

Risk adjustment

Under IFRS 17, the measurement of insurance contract liabilities will include a risk adjustment for nonfinancial risk to reflect the compensation that the entity requires for bearing the uncertainty relating to the amount and timing of future cash flows. For insurance contracts, this is the compensation required to be indifferent between either fulfilling a liability that has a range of possible outcomes arising from non-financial risk and fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contracts. The risk adjustment replaces the concept of a risk margin under IFRS 4, which reflects the inherent uncertainty in the central estimate of the present value of the expected future payments. Similar to the risk margin, the risk adjustment includes the benefit of diversification.

The Standard does not prescribe techniques for estimating the risk adjustment but does offer guidance. The technique used, and the corresponding confidence level associated with the methodology selected, will need to be disclosed. The finalisation of the methodology for determining the risk adjustment, and the corresponding confidence level, is ongoing and subject to further refinement and review.

Discount rates

IFRS 17 requires that the estimates of expected cash flows that are used to measure either the liability for remaining coverage, for contracts measured under the general measure model, or incurred claims are to be discounted to reflect the time value of money and the financial risks related to those cash flows. In addition, the standard also requires the discount rate to reflect the liquidity characters of the underlying insurance contracts. The standard does not prescribe a methodology to determine either the discount rate or illiquidity premium. The methodology and impact of reflecting illiquidity within discount rates is currently being determined.

Presentation and disclosure

IFRS 17 will impact the Company's financial statements compared with existing reporting requirements, introducing substantial changes in both presentation of the statement of comprehensive income and balance sheet, as well as more granular disclosure requirements.

In the statement of comprehensive income, IFRS 17 will require the presentation of the insurance revenue and insurance service expenses gross of reinsurance. For the Company, insurance revenue replaces gross earned premium and insurance service expenses largely reflects the combination of claims expense, non-reinsurance related recoveries, commission expense and underwriting expenses. Additionally, all changes in value because of either the effect of or change in the time value of money or financial risk, will no longer form part of the insurance service result but will be recognised separately as either insurance finance income or expenses.

2 Statement of compliance with IFRS (continued)

2.2 Standards issued but not yet effective (continued)

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

Presentation and disclosure (continued)

On balance sheet, as all cash flows resulting from the rights and obligations under insurance and reinsurance contracts must be taken into account under IFRS 17, the related existing balance sheet items will no longer be presented separately. Alternatively, the standard requires these associated balances to be combined into single line items for portfolios of insurance or reinsurance contracts that are either in an asset or liability position.

In order to reconcile the movement in these insurance contract liabilities and reinsurance contract assets, the standard requires detailed disclosures that presents the changes to each of the individual measurement components. The notes covering the risks from insurance contracts are expected to remain broadly similar.

Transition

On transition, the Company expects to apply the full retrospective approach to all insurance contracts, except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied under IFRS 17. In practical terms, the Company currently anticipates adopting a full retrospective approach to contracts measured using the premium allocation approach.

The Company has committed appropriate resources and effort into the implementation of IFRS 17 since its issuance. The implementation of the standard involves changes and enhancements in technology, systems, and processes, particularly across IT, finance and actuarial. The requirements of IFRS 17 are complex and the Company's expectations noted above are subject to change as it continues to assess the impact of the standard and interpretation developments. However, ultimately IFRS 17 is not expected to change the underlying economics or cash flows of the Company's business but has the potential to impact profit emergence profiles. Alongside the qualitative effects outlined above, the Company continues to assess the quantitative impact of the application of IFRS 17, with the opening balances at 1 January 2023 currently being compiled in accordance with the standard.

Impact assessment – Non-Life Insurance

Although the premium allocation approach is similar to the Company's current accounting treatment when measuring liabilities for remaining coverage, the following changes are expected in the accounting for Non-life contracts.

Changes from IFRS 4	Impact on equity on transition to IFRS 17
Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The Company does not currently discount such future cash flows.	Increase
IFRS 17 requires the fulfilment cash flows to include a risk adjustment for non-financial risk. This is not explicitly allowed for currently.	Decrease

Although the Company's IFRS 17 implementation project has made significant progress, as some material judgements are still under consideration and global interpretations remain pending, at this time it is not practicable to reliably quantify the effects on the Company's financial statements.

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

Capital work in progress is stated at cost, when completed, capital work in progress is transferred to the appropriate category within property and equipment and is depreciated in accordance with Company's policy.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

3.3 Investment properties

Investment properties are properties held to earn rentals and /or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day-to-day servicing of investment properties. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment properties are included in the profit or loss in the period in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment properties are recognised in the income statement in the period of retirement or disposal.

The Company determines fair value on the basis of valuation performed by two independent external valuers who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment properties being valued. The Company takes average of the value from two different valuers as a fair value in its financial statements.

During the year, the Company changed its accounting policy from a historical cost model to a fair value model. The reason for change in accounting policy, together with the effect on current and prior year are detailed in note 31 of these financial statements.

3.4 Revenue recognition

Gross premiums

Gross premiums and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Commission on reinsurance

The Company initially defers commission earned, excluding profit commission and recognise it as income over the policy period. Profit commission is recognised at the time of settlement.

Interest income

Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes receivable.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and shown as assets in the statement of financial position.

3.6 Provision for IBNR

Provision for Incurred But Not Reported ("IBNR") claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

3.7 Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

3.8 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts.

Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

3 Summary of significant accounting policies (continued)

3.9 Unearned premium reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates to the period of insurance subsequent to the statement of financial position date and is mainly computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

3.10 Unexpired risk reserves

Unexpired Risk Reserve (URR) represents the difference between unearned premium provision and the expected value of claims, expenses attributable to unexpired periods of policies in force at the reporting date based on actuarial estimates obtained from an independent actuary in accordance with finance regulations for the insurance companies issued by the Central Bank of UAE.

3.11 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods in which the premiums for the related direct insurance are recorded and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

3.12 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.13 Financial instruments

a) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

b) Classification and subsequent measurement of financial assets (continued)

i) Financial assets at amortised cost (continued)

Financial assets at amortised cost comprise statutory deposits, cash and bank balances, amounts due from related parties and other receivables.

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

Investments in equity and debt securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity and debt investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to statement of profit or loss, but is reclassified to retained earnings.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d) Impairment and uncollectability of financial assets

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

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Company has not recognised any impairment loss against equity instruments.

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

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

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

d) Impairment and uncollectability of financial assets (continued)

Measurement of ECL

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.14 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance brokers, re-insurers and insurance contract holders.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the statement of profit or loss.

3.15 Dividend distribution

Dividend distribution to the Shareholders is recognised as a liability in the financial statements in the period in which the dividends are proposed by the Board of Directors.

3.16 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

3 Summary of significant accounting policies (continued)

3.17 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.18 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the statement of profit or loss. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its' carrying amount.

3.19 Short term operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

3.20 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

3.21 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3 Summary of significant accounting policies (continued)

3.22 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR, ULAE, UPR and URR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims, UPR and URR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events. Over and above the actuarial reserves, management quantifies additional technical provisions based on management's best estimate of claims incurred.

Valuation of investment properties

Fair value of investment properties is estimated by two independent professional valuers accredited with the Royal Institution of Chartered Surveyors for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Rights and obligations of the investments

Quoted equity investments are in the name of the Chairman, however, are controlled by the Company. These investments are held for the beneficial interest of the Company. Management addresses the significant judgement over the rights and obligations by obtaining direct annual re-confirmation from the Chairman that the assets held in Chairman's name are for the Company's beneficial interest and receiving all risk and economic rewards associated with these investments.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables. For non-insurance receivables the recoverability is assessed, and provisions are created in compliance with the simplified approach under the IFRS 9 methodology.

4 Statutory deposits

	2022 AED'000	2021 AED'000
Held with a local bank in Dubai, UAE	**10,000**	10,000

Statutory deposits held with a local bank in Dubai, UAE represent deposit held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. The deposit cannot be withdrawn without prior approval from the Ministry of Economy.

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Capital work in progress AED'000	Total AED'000
2022					
Cost					
At 1 January	**1,505**	**502**	**4,064**	**-**	**6,071**
Additions*	**17**	**-**	**713**	**3,957**	**4,687**
At 31 December	**1,522**	**502**	**4,777**	**3,957**	**10,758**
Accumulated depreciation					
At 1 January	**1,425**	**372**	**3,801**	**-**	**5,598**
Charge for the year	**38**	**63**	**142**	**-**	**243**
At 31 December	**1,463**	**435**	**3,943**	**-**	**5,841**
Net book value					
At 31 December 2022	**59**	**67**	**834**	**3,957**	**4,917**
2021					
Cost					
At 1 January	1,598	723	3,949	-	6,270
Additions	22	119	115	-	256
Disposal during the year	(115)	(340)	-	-	(455)
At 31 December	1,505	502	4,064	-	6,071
Accumulated depreciation					
At 1 January	1,492	545	3,651	-	5,688
Charge for the year	40	96	150	-	286
Disposal during the year	(107)	(269)	-	-	(376)
At 31 December	1,425	372	3,801	-	5,598
Net book value					
At 31 December 2021	80	130	263	-	473

* Capital work in progress represents the expenditure made on the furniture and fixtures for Company's new office space.

6 Investment properties

	2022 AED'000	Restated 2021 AED'000
Fair value		
At 1 January	**140,750**	140,166
Increase in fair value during the year	**8,592**	584
Net book value at 31 December	**149,342**	140,750

On 31 December 2022, Land Sterling Property Consultants and Aneet Real Estate Valuation Services, independent and experienced professional valuers estimated the fair value of investment property at AED 146.7 million and AED 152 million respectively (2021: Windmills Real Estate Valuation Services LLC and Najmat Al Murjan Real Estate Valuation Service LLC, independent and experienced professional valuers estimated the fair value of investment property at AED 140.5 million and AED 141 million respectively). The Company has opted the average of the two investment properties valuations. The valuers hold relevant professional qualifications and experience. Investment property is held for capital appreciation and rental purposes. The fair value is in accordance with relevant appraisal and standards issued by the Royal Institute of Chartered Surveyors (RICS). The Company occupies an insignificant area of 10% (2021: 10%) in the investment property for use in its own business.

Details of the investment properties and information about the fair value hierarchy as at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022			Fair value as at 31 December 2021
	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	Level 3 AED'000
Buildings and plots of land on which such buildings are constructed	-	-	**149,342**	140,750

For investment properties categorised into level 3 of the fair value hierarchy, the following information is relevant:

Valuation techniques	Significant input(s)	Sensitivity
Income capitalisation approach	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of properties, and prevailing market condition.	A slight increase in the capitalisation rate used would result in a significant decrease in fair value, and vice versa.
	Yearly market rent, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the investment properties.	A slight increase in the market rent used would result in a significant increase in fair value, and vice versa.

During the year, the Company has changed its accounting policy from a historical cost model to a fair value model, based on management's assessment of the facts and circumstances surrounding the investment properties, the fair value of the properties represents more reliable and comparable information.

7 Financial assets

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2022					
Equity securities					
Quoted*	(a)	**398,875**	**-**	**-**	**398,875**
Debt securities					
Quoted	(a)	**76,010**	**-**	**-**	**76,010**
		474,885	**-**	**-**	**474,885**
31 December 2021					
Equity securities					
Quoted*	(a)	460,827	-	-	460,827
Unquoted*	(b)	-	-	50,154	50,154
Debt securities					
Quoted	(a)	58,489	-	-	58,489
		519,316	-	50,154	569,470

* This comprises of quoted investments amounting to AED 50.6 million (2021: quoted investment amounting to AED 50 million and an unquoted investment amounting to AED 50 million) which are in the name of the Khalaf Ahmad Al Habtoor (Chairman) held for the beneficial interest of the Company.

(a) Fair values have been determined by reference to quoted prices at the reporting date. During the year, the Company did not purchase quoted equity securities designated at FVTOCI.

(b) The Company holds investments in quoted equity securities of two entities which are under the beneficial ownership of the Company as at 31 December 2022 (2021: One entity). One of these investments was unquoted as at 31 December 2021 and has been fair valued by an independent valuer based on an Earnings Multiple technique and Net asset value technique using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees.

Movement in financial assets grouped in level 1

The reconciliation of carrying amounts of financial instruments classified within level 1 is as follows:

	2022 AED'000	2021 AED'000
Investments in quoted securities at FVTOCI		
Balance as at 1 January	**460,827**	324,701
Disposals during the year	**(40,243)**	-
Transferred from unquoted securities*	**14,474**	-
(Losses) / gains recognised in other comprehensive income	**(38,366)**	136,126
Balance as at 31 December	**396,692**	460,827

7 Financial assets (continued)

Movement in financial assets grouped in level 1 (continued)

	2022 AED'000	2021 AED'000
Investments in quoted securities at FVTPL		
Balance as at 1 January	-	-
Additions during the year	2,183	-
Balance as at 31 December	2,183	-
Investments in debt securities at FVTOCI		
Balance as at 1 January	58,489	59,328
Additions during the year	21,892	-
Losses recognised in other comprehensive income	(4,371)	(839)
Balance as at 31 December	76,010	58,489

During the year, the Company received bonus shares and has designated these shares at fair value through profit or loss.

Investments in debt securities represents bonds carrying interest rate ranging from 4.5% to 7.1% per annum (2021: 4.5% to 7.1% per annum).

Movement in financial assets grouped in level 3

	2022 AED'000	2021 AED'000
Investments in unquoted securities		
Balance as at 1 January	50,154	42,853
Transfer to quoted securities*	(50,154)	-
Gain recognised in other comprehensive income	-	7,301
Balance as at 31 December	-	50,154

*The unquoted investment held as at 31 December 2021 got listed on Dubai Financial Market during the year and as a result, the fair value changed from AED 50.2 million to AED 14.5 million.

8 Insurance receivables

	2022 AED'000	2021 AED'000
Due from policy holders	35,272	18,725
Due from insurance companies	12,062	10,010
Due from reinsurance companies	26,398	10,191
Due from insurance brokers	74,586	32,692
	148,318	71,618
Provision for bad and doubtful debts	(6,191)	(5,538)
	142,127	66,080

The average credit period is 90 days. Insurance receivables of AED 6.19 million (2021: AED 5.54 million), which are impaired and not recoverable, are fully provided.

9 Other receivables

	2022 AED'000	2021 AED'000
Deferred commission cost	**23,899**	14,867
Prepayments	**7,909**	3,081
Accrued interest	**2,932**	1,362
Rent receivable	**6,896**	7,643
Other receivables	**4,189**	4,905
	45,825	31,858
Expected credit losses	**(4,576)**	(5,181)
	41,249	26,677

The Company has recognised AED 4.6 million as a provision on doubtful rent receivables (2021: AED 5.2 million).

10 Related parties

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Details of related parties' balances are as follows:

Amounts due from related parties

	2022 AED'000	2021 AED'000
Related parties due to common directorship		
Al Habtoor Theatre LLC	**6,782**	7,850
Diamond lease LLC	**3,985**	7,383
Habtoor Palace LLC	**2,680**	1,738
Hilton Dubai Al Habtoor City LLC	**1,095**	1,108
Other Habtoor Group companies	**5,431**	3,578
	19,973	21,657

Amounts due to related parties

	2022 AED'000	2021 AED'000
Related parties due to common directorship		
Al Habtoor Motors Co LLC	**4,311**	3,123
Others	**21**	15
	4,332	3,138

Quoted investments at FVTOCI amounting to AED 50.6 million (2021: quoted investment amounting to AED 50 million and an unquoted investment amounting to AED 50 million) is registered in the name of the Chairman in the beneficial interest of the Company (refer to note 7).

10 Related parties (continued)

Transactions with related parties

Details of significant transactions with related parties are shown below:

	2022 AED'000	2021 AED'000
Premiums written	**70,826**	64,843
Claims paid	**10,764**	9,584
Commission paid	**2,145**	2,035
Agency / Non-Agency repairs	**23,766**	18,256
Key management personnel remuneration:		
- Short term benefits	**1,625**	1,797
- Post-employment benefits	**90**	84
	1,715	1,881

11 Insurance contract liabilities and reinsurance contract assets

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provision is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering the nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which are an indication for establishing the adequacy of the estimation process. The management believes that the liability for claims reported in the statement of financial position is adequate.

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. The following table reflects the cumulative incurred claims notified, IBNR, ULAE and URR for each successive accident year at each statement of financial position date, together with cumulative payments to date.

11 Insurance contract liabilities and reinsurance contract assets (continued)

Claims development (continued)

Accident year	2018 & prior AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of accident year	1,616,904	249,170	316,560	180,087	201,697	
One year later	1,629,507	259,410	324,390	185,783	-	
Two years later	1,621,204	258,836	323,842	-	-	
Three years later	1,607,538	251,725	-	-	-	
Four years later	1,597,585	-	-	-	-	
Estimate of cumulative claims	1,597,585	251,725	323,842	185,783	201,697	2,560,632
Cumulative payments to date	1,578,561	245,800	309,699	161,025	163,994	2,459,079
Provision for outstanding claims as on 31 December 2022	19,024	5,925	14,143	24,758	37,703	101,553
IBNR and other reserves as on 31 December 2022	1,745	(448)	(2,866)	(1,893)	46,819	43,357
ULAE reserves as on 31 December 2022	742	182	263	558	1,971	3,716
Gross outstanding claims and technical provisions as on 31 December 2022	21,511	5,659	11,540	23,423	86,493	148,626
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2022	19,752	4,943	7,059	15,360	48,419	95,533
Net outstanding claims and technical provisions as on 31 December 2022	1,759	716	4,481	8,063	38,074	53,093
Provision for outstanding claims and technical provisions as on 31 December 2021	26,724	17,180	20,154	73,806	-	137,864
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2021	23,979	10,799	12,278	42,030	-	89,086

11 Insurance contract liabilities and reinsurance contract assets (continued)

		2022			2021		
		Gross insurance contract liabilities AED'000	**Reinsurance contract assets AED'000**	**Net insurance contract liabilities AED'000**	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned premium reserve	(a)	**203,091**	**(109,299)**	**93,792**	136,103	(84,265)	51,838
Outstanding claims	(b)	**101,553**	**(71,811)**	**29,742**	92,484	(64,223)	28,261
Provision for IBNR	(c)	**43,357**	**(23,722)**	**19,635**	41,840	(24,863)	16,977
Provision for ULAE	(d)	**3,716**	**-**	**3,716**	3,540	-	3,540
Unexpired risk reserves	(e)	**3,762**	**-**	**3,762**	866	-	866
		355,479	**(204,832)**	**150,647**	274,833	(173,351)	101,482

a) Unearned premium reserve

		2022			2021		
		Gross AED'000	**Reinsurance share AED'000**	**Net AED'000**	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at 1 January	(i)	**136,103**	**(84,265)**	**51,838**	134,782	(90,029)	44,753
Provision made during the year		**201,533**	**(108,453)**	**93,080**	134,594	(83,466)	51,128
Provision released during the year		**(134,545)**	**83,419**	**(51,126)**	(133,273)	89,230	(44,043)
Net movement during the year	(ii)	**66,988**	**(25,034)**	**41,954**	1,321	5,764	7,085
Balance as at 31 December	(i + ii)	**203,091**	**(109,299)**	**93,792**	136,103	(84,265)	51,838

11 Insurance contract liabilities and reinsurance contract assets (continued)

b) Outstanding claims

		2022 Gross AED'000	2022 Reinsurance share AED'000	2022 Net AED'000	2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000
Balance as at 1 January	(i)	**92,484**	**(64,223)**	**28,261**	104,222	(76,081)	28,141
Provision made during the year		**192,793**	**(115,809)**	**76,984**	173,677	(124,788)	48,889
Settled during the year		**(183,724)**	**108,221**	**(75,503)**	(185,415)	136,646	(48,769)
Net movement during the year	(ii)	**9,069**	**(7,588)**	**1,481**	(11,738)	11,858	120
Balance as at 31 December	(i + ii)	**101,553**	**(71,811)**	**29,742**	92,484	(64,223)	28,261

c) Provision for IBNR

		2022 Gross AED'000	2022 Reinsurance share AED'000	2022 Net AED'000	2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000
Balance as at 1 January	(i)	**41,840**	**(24,863)**	**16,977**	61,536	(31,352)	30,184
Provision made during the year		**43,357**	**(23,722)**	**19,635**	41,840	(24,863)	16,977
Provision released during the year		**(41,840)**	**24,863**	**(16,977)**	(61,536)	31,352	(30,184)
Net movement during the year	(ii)	**1,517**	**1,141**	**2,658**	(19,696)	6,489	(13,207)
Balance as at 31 December	(i + ii)	**43,357**	**(23,722)**	**19,635**	41,840	(24,863)	16,977

11 Insurance contract liabilities and reinsurance contract assets (continued)

d) Provision for ULAE

		2022 Gross AED'000	2022 Reinsurance share AED'000	2022 Net AED'000	2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000
Balance as at 1 January	(i)	3,540	-	3,540	2,929	-	2,929
Provision made during the year		3,716	-	3,716	3,540	-	3,540
Provision released during the year		(3,540)	-	(3,540)	(2,929)	-	(2,929)
Net movement during the year	(ii)	176	-	176	611	-	611
Balance as at 31 December	(i + ii)	3,716	-	3,716	3,540	-	3,540

e) Unexpired risk reserves

		2022 Gross AED'000	2022 Reinsurance share AED'000	2022 Net AED'000	2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000
Balance as at 1 January	(i)	866	-	866	254	-	254
Provision made during the year		3,762	-	3,762	866	-	866
Provisions reversed during the year		(866)	-	(866)	(254)	-	(254)
Net movement during the year	(ii)	2,896	-	2,896	612	-	612
Balance as at 31 December	(i + ii)	3,762	-	3,762	866	-	866

12 Cash and bank balances

Cash and bank balances comprise the following statement of financial position amounts:

	2022 AED'000	2021 AED'000
Cash in hand	10	38
Cash at banks	202,669	137,671
	202,679	137,709

Cash at bank includes short term deposits (3-12 months) with local banks carrying interest ranging from 0.20% - 5.25% (2021: 0.35% - 1.10%) per annum.

Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	2022 AED'000	2021 AED'000
Cash and bank balances	202,679	137,709
Bank deposits with maturity over 3 months	(135,420)	(80,617)
Cash and cash equivalents	67,259	57,092

13 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each:

	2022 No. of shares	2022 AED'000	2021 No. of shares	2021 AED'000
Balance at 31 December	115,500,000	115,500	115,500,000	115,500

14 Legal reserve

In accordance with the Company's Articles of Association and Article 241 of the Federal Law No. 32 of 2021, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (2021: Nil).

15 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly. During the year, there were no transfers from or to the general reserve (2021: Nil).

16 Reinsurance reserve

In accordance with article 34 of Central Bank of United Arab Emirates Board of Directors Decision No. 23 of 2019, Concerning instructions organising reinsurance operations, an amount of AED 1.2 million (2021: AED 0.9 million) equal to 0.5% of total reinsurance premium ceded during the year was transferred from retained earnings to reinsurance reserve. This reserve will be accumulated year after year and will not be disbursed without prior approval from Central Bank of United Arab Emirates.

17 Employees' end of service benefits

	2022 AED'000	2021 AED'000
Balance at 1 January	**4,091**	7,092
Charge for the year	**864**	339
Payments during the year	**(656)**	(3,340)
Balance at 31 December	**4,299**	4,091

18 Insurance payables

	2022 AED'000	2021 AED'000
Re-insurance companies	**122,907**	34,664
Trade creditors	**13,383**	9,793
Brokers payable	**12,926**	8,650
Insurance companies	**8,806**	9,355
Premium reserve withheld	**7,504**	6,272
	165,526	68,734

19 Other payables

	2022 AED'000	2021 AED'000
Accrued expenses	**13,422**	12,149
Deferred commission income	**7,254**	8,845
Provision for staff benefits	**2,696**	2,893
Directors' remuneration *	**4,287**	5,544
Other payables	**14,963**	16,259
	42,622	45,690

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 171 of U.A.E Federal Law No. 32 of 2021, and also as per the Articles of Association of the Company.

20 Income from investments - net

	2022 AED'000	2021 AED'000
Dividend income on securities – net	**15,686**	18,605
Interest income – net	**7,545**	4,128
	23,231	22,733

21 Income from investment properties - net

	2022 AED'000	Restated 2021 AED'000
Gross rental income	**8,863**	9,593
Maintenance expenses	**(3,558)**	(4,270)
Gain from change in fair value of investment properties (note 6)	**8,592**	584
	13,897	5,907

22 General and administrative expenses

	2022 AED'000	2021 AED'000
Personnel costs	**21,014**	15,873
Other operational expenses	**10,573**	10,081
	31,587	25,954

23 Earnings per share

	2022	Restated 2021
Net profit for the year (AED'000)	**44,089**	58,835
Weighted average number of shares outstanding (note 13)	**115,500,000**	115,500,000
Earnings per share (AED) - Basic and diluted	**0.38**	0.51

24 Segment reporting

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Group life Insurance. Investments segment comprises Investment Property and Financial Assets. The Group life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	2022 AED'000			2021 (restated) AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**419,112**	**26,617**	**445,729**	301,239	32,899	334,138
Segment result	**38,548**	**37,128**	**75,676**	55,985	28640	84,625
Unallocated:						
-Other income			**-**			164
-Admin expenses			**(31,587)**			(25,954)
Net profit for the year			**44,089**			58,835
Segment assets	**413,098**	**624,227**	**1,037,325**	288,238	710,220	998,458
Unallocated assets			**212,679**			147,709
Total assets			**1,250,004**			1,146,167
Segment liabilities	**563,494**	**4,477**	**567,971**	392,199	4,287	396,486
Total liabilities			**567,971**			396,486

24 Segment reporting (continued)

Underwriting results are further classified as follows:

	AED'000		
	General business	**Group life business**	**Total**
2022			
Gross premiums written	**416,118**	**2,994**	**419,112**
Gross underwriting income	**120,355**	**907**	**121,262**
Net claims incurred	**82,292**	**422**	**82,714**
Net underwriting income	**38,062**	**486**	**38,548**
2021			
Gross premiums written	298,499	2,740	301,239
Gross underwriting income	92,059	831	92,890
Net claims incurred	36,330	575	36,905
Net underwriting income	55,729	256	55,985

25 Dividends

The Board has proposed cash dividend of 10% of paid up share capital, amounting to AED 11.55 million (AED 0.10 per share) for the year ended 31 December 2022.

During the previous year, the Board proposed a cash dividend of AED 34.65 million (AED 0.30 per share) representing 30% of the paid up capital as at 31 December 2021. This was approved at the Annual General Meeting held in March 2022.

26 Commitments and contingencies

	2022 AED'000	2021 AED'000
Financial guarantees	**943**	1,980

Guarantees of AED 0.93 million (2021: AED 1.97 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

27 Capital commitments

At the statement of financial position date, the Company has commitments towards the capital work in progress of AED 2 million (2021: AED 0.97 million).

28 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, group life, accident health, financial or other perils that may arise from an insurable event.

The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

28 Risk management objectives and policies for mitigating insurance risk (continued)

The Company has structured policies for acceptance and pricing risks. Experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on a balanced portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per the Company's risk management policies.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. 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 arrangements.

This reinsurance is through proportional treaty, non-proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable is monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of insurance contracts varies but are generally based on norms as applied in the Insurance Market.

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 38.55 million for the year ended 31 December 2022 (2021: AED 55.99 million)

The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended 31 December 2022 is 42% (2021: 36%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.

- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.

Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting

Pursuant to the requirement of financial regulations of the Central Bank of United Arab Emirates, statements of financial position and income statements of Group life Insurance (referred to as "Persons and Funds Accumulation Operations") and General Insurance (referred to as "Property and Liability Insurance") are as follows:

Statement of financial position of persons and funds accumulation operations

	2022 AED'000	2021 AED'000
ASSETS		
Statutory deposits	**4,000**	4,000
Insurance receivables	**988**	1,171
Other receivables	**60**	95
Amounts due from related parties	**-**	160
Reinsurance contract assets	**3,223**	2,938
Cash and cash equivalents	**353**	760
TOTAL ASSETS	**8,624**	9,124
EQUITY AND LIABILITIES		
EQUITY		
Reinsurance reserve	**9**	18
Retained earnings	**3,372**	3,302
Net funds transferred from general insurance	**906**	381
TOTAL EQUITY	**4,287**	3,701
LIABILITIES		
Employees' end of service benefits	**4**	81
Insurance contract liabilities	**4,333**	4,016
Insurance payables	**-**	1,326
TOTAL LIABILITIES	**4,337**	5,423
TOTAL EQUITY AND LIABILITIES	**8,624**	9,124

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of profit or loss of persons and funds accumulation operations

	2022 AED'000	2021 AED'000
Gross premiums	**2,994**	2,740
Reinsurance share of premiums	**(1,953)**	(1,703)
Net premiums	**1,041**	1,037
Net transfer to unearned premium reserve	**100**	73
Net premiums earned	**1,141**	1,110
Commission earned	**7**	7
Commission paid	**(239)**	(286)
Gross underwriting income	**909**	831
Gross claims paid	**1,655**	2,639
Reinsurance share	**(1,364)**	(2,149)
Net claims paid	**291**	490
Provision for outstanding claims and technical provisions	**551**	169
Reinsurance share of outstanding claims and technical provisions	**(419)**	(84)
Net claims incurred	**423**	575
Net underwriting income	**486**	256
Gross income	**486**	256
General and administrative expenses	**(510)**	(595)
Net loss for the year	**(24)**	(339)

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of financial position of property and liability insurance

	2022 AED'000	Restated 2021 AED'000
ASSETS		
Statutory deposits	**6,000**	6,000
Property and equipment	**4,917**	473
Investment property	**149,342**	140,750
Financial assets	**474,885**	569,470
Insurance receivables	**141,139**	64,909
Other receivables	**41,189**	26,582
Amounts due from related parties	**19,973**	21,497
Reinsurance contract assets	**201,609**	170,413
Cash and cash equivalents	**202,326**	136,949
TOTAL ASSETS	**1,241,380**	1,137,043
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**115,500**	115,500
Legal reserve	**57,750**	57,750
General reserve	**180,000**	180,000
Reinsurance reserve	**3,232**	2,005
Fair value reserve on financial assets at fair value through other comprehensive income	**161,038**	220,505
Net funds transferred to group life insurance	**(906)**	(381)
Retained earnings	**156,845**	170,601
TOTAL EQUITY	**673,459**	745,980
LIABILITIES		
Employees' end of service benefits	**4,295**	4,010
Insurance contract liabilities	**351,146**	270,817
Insurance payables	**165,526**	67,408
Other payables	**42,622**	45,690
Amounts due to related parties	**4,332**	3,138
TOTAL LIABILITIES	**567,921**	391,063
TOTAL EQUITY AND LIABILITIES	**1,241,380**	1,137,043

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of profit or loss of property and liability insurance

	2022 AED'000	Restated 2021 AED'000
Gross premiums	**416,118**	298,499
Reinsurance share of premiums	**(241,650)**	(191,086)
Net premiums	**174,468**	107,413
Net transfer to unearned premium reserve	**(42,054)**	(7,158)
Net premiums earned	**132,414**	100,255
Commission earned	**20,691**	20,470
Commission paid	**(35,044)**	(31,804)
Others	**2,292**	3,138
Gross underwriting income	**120,353**	92,059
Gross claims paid	**182,069**	182,776
Reinsurance share	**(106,857)**	(134,497)
Net claims paid	**75,212**	48,279
Provision for outstanding claims and technical provisions	**13,107**	(30,380)
Reinsurance share of outstanding claims and technical provisions	**(6,028)**	18,431
Net claims incurred	**82,291**	36,330
Net underwriting income	**38,062**	55,729
Income from investments – net	**23,231**	22,733
Income from investment properties – net	**13,897**	5,907
Other income	**-**	164
Gross income	**75,190**	84,533
General and administrative expenses	**(31,077)**	(25,359)
Net profit for the year	**44,113**	59,174

29 Financial risk management objectives and policies

The financial assets of the Company include statutory deposits, cash at bank and in hand, other receivables, due from related parties and investments. Financial liabilities include due to related parties and most other payables. Accounting policies for each class of financial assets and liabilities are set out in note 3.

Category-wise assets and liabilities

2022

Assets	Financial instruments: At amortised cost AED'000	Financial instruments: At fair value AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	**10,000**	**-**	**-**	**10,000**
Reinsurance contract assets	**-**	**-**	**204,832**	**204,832**
Cash and cash equivalents	**202,679**	**-**	**-**	**202,679**
Financial assets at FVTOCI	**-**	**472,702**	**-**	**472,702**
Financial assets at FVTPL	**-**	**2,183**	**-**	**2,183**
Insurance receivables	**-**	**-**	**142,127**	**142,127**
Other receivables	**9,441**	**-**	**-**	**9,441**
Amounts due from related parties	**19,973**	**-**	**-**	**19,973**
	242,093	**474,885**	**346,959**	**1,063,937**
2021				
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	173,351	173,351
Cash and cash equivalents	137,709	-	-	137,709
Financial assets at FVTOCI	-	569,470	-	569,470
Insurance receivables	-	-	66,080	66,080
Other receivables	8,729	-	-	8,729
Amounts due from related parties	21,657	-	-	21,657
	178,095	569,470	239,431	986,996

2022

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	**-**	**355,479**	**355,479**
Insurance and other payables	**31,081**	**165,526**	**196,607**
Amounts due to related parties	**4,332**	**-**	**4,332**
	35,413	**521,005**	**556,418**
2021			
Insurance contract liabilities	-	274,833	274,833
Insurance and other payables	36,845	68,734	105,579
Amounts due to related parties	3,138	-	3,138
	39,983	343,567	383,550

29 Financial risk management objectives and policies (continued)

Category-wise assets and liabilities (continued)

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The Board reviewed and agreed policies for management of these risks summarised below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurers' and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers and brokers, however these are monitored closely by the management.

Credit risk with respect to reinsurers is mitigated by placement only with those companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired	Past due					Past due and impaired	Total
		<120 days	120-180 days	180-365 days	>365 Days	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
2022	**115,261**	**3,820**	**11,034**	**7,145**	**11,058**	**148,318**	**(6,191)**	**142,127**
2021	51,094	4,491	5,495	4,115	6,423	71,618	(5,538)	66,080

The Company believes that overdue debtors are not impaired except those already provided for.

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of liabilities over assets, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the UAE.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table on the next page summarises the maturity of various assets and liabilities:

29 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

2022	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets	-	-	-	474,885	474,885
Insurance receivables	26,222	51,323	37,945	26,637	142,127
Other receivables	1,855	245	3,088	4,253	9,441
Amounts due from related parties	5,679	5,421	8,114	759	19,973
Cash in hand and at banks including deposits:					
- Interest bearing	25,000	-	25,422	99,998	150,420
- Non-interest bearing	7,914	21,350	19,975	3,020	52,259
Reinsurance contract assets (a)	-	-	-	-	204,832
	66,670	78,339	94,544	619,552	1,063,937
Liabilities					
Insurance and other payables	32,332	56,992	63,523	43,768	196,615
Amounts due to related parties	503	3,256	222	351	4,332
Insurance contract liabilities (a)	-	-	-	-	355,479
	32,835	60,248	63,745	44,119	556,426

2021	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets	-	-	-	569,470	569,470
Insurance receivables	18,562	24,358	16,948	6,212	66,080
Other receivables	289	4,128	2,329	1,983	8,729
Amounts due from related parties	4,358	6,329	10,384	586	21,657
Cash in hand and at banks including deposits:					
- Interest bearing	10,543	54,655	19,204	16,307	100,709
- Non-interest bearing	1,000	19,080	13,900	3,020	37,000
Reinsurance contract assets (a)	-	-	-	-	173,351
	34,752	108,550	62,765	607,578	986,996
Liabilities					
Insurance and other payables	12,352	40,993	30,228	22,006	105,579
Amounts due to related parties	532	2,145	349	112	3,138
Insurance contract liabilities (a)	-	-	-	-	274,833
	12,884	43,138	30,577	22,118	383,550

The maturities of insurance contract liabilities and the corresponding re-insurance contract assets are contingent upon the final settlement of claims, therefore cannot be reliably allocated to any particular maturity slab.

29 Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on fixed deposits. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest-bearing investments are denominated.

Interest rate sensitivity

The effective interest rates for all major classes of interest-bearing financial instruments as at 31 December, are as follows:

2022	**Total AED'000**	**Effective interest rate %**
Bank deposits (including statutory deposit)	**160,420**	**0.2% to 5.25%**
2021		
Bank deposits (including statutory deposit)	110,709	0.35% to 1.10%

There is no significant difference between contractual reprising or maturity dates.

The following table demonstrates the sensitivity of statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2022.

	Increase/decrease in basis points (bps)	**Effect on profit for the year AED'000**
2022	**50 (bps)**	**802**
	(50) (bps)	**(802)**
2021	50 (bps)	563
	(50) (bps)	(563)

Exchange risk

A major portion of the Company's liabilities and assets are denominated in AED or US Dollars. Since AED is effectively pegged to US Dollars, there is minimal exchange risk.

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 investments in quoted shares.

29 Financial risk management objectives and policies (continued)

Market risk (continued)

The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the Company actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investee.

All the Company's investments are within the United Arab Emirates.

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

Given that all other variables remain constant, had equity prices been 10% higher/lower at the reporting date:

- profit would have increased/decreased by AED 0.2 million (2021: Nil) in the case of financial investments at FVTPL; and
- fair value reserve on financial assets of FVTOCI within equity would have increased/decreased by AED 47.5 million (2021: increase/decrease by AED 56.9 million).

Debt securities

All of the Company's debt investments at FVTOCI are considered to have low credit risk. Management considers 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

30 Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 6 of 2007 concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100,000,000 (2021: AED 100,000,000).
2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.
3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

There were no changes made in the objectives, capital management policies or processes during the years ended 31 December 2022 and 31 December 2021.

30 Capital management (continued)

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2022 AED'000	Restated 2021 AED'000
Cash and cash equivalents	**202,679**	137,709
Total equity held	**677,746**	749,681
Minimum regulatory capital	**100,000**	100,000

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

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

	30 September 2022 (Unaudited) AED'000
Minimum capital requirement (MCR)	**100,000**
Solvency capital requirement (SCR)	**141,020**
Minimum guarantee fund (MGF)	**47,007**
Basic own funds	**387,636**
MCR solvency margin – surplus	**287,636**
SCR solvency margin – surplus	**246,616**
MGF solvency margin – surplus	**340,629**

In accordance with Circular number CBUAE/BIS/2023/729 of CBUAE dated 10 February 2023, the assets which are not in the Company's name should not be considered as admissible in regulatory statement of financial position. In the reported solvency figures as at 30 September 2022 as mentioned above, AED 50.6 million of assets are not in the name of the Company and owned by a related party (refer to note 7).

31 Restatement

The Company accounted for its investment properties at cost model since the inception. During the current year, the Company has changed its accounting policy from cost to fair value model. Management has identified that reporting investment properties at fair value model will result in more reliable information to the users together with improved financial reporting. Consequently, the Company has recognised its investment properties at fair value with any resulting gain or loss being recognised in the income statement.

31 Restatement (continued)

During the current year, change in accounting policy has resulted in increase of profits by AED 10.4 million due to gain on fair value on investment properties and elimination of annual depreciation by AED 8.6 million and AED 1.8 million respectively.

The impact of the above-mentioned results have been remeasured and recorded in the extracts below, as per "IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors", by restating each of the affected financial statement line items for the effected year ends and as per "IAS 1 Presentation of Financial Statements", by presenting a third statement of financial position as the Company has retrospectively applied the change in accounting policy.

Statement of financial position:	2021		
	As previously recorded AED'000	Restatement AED'000	As restated AED'000
ASSETS			
Statutory deposits	10,000	-	10,000
Property and equipment	473	-	473
Investment properties	70,356	70,394	140,750
Financial assets	569,470	-	569,470
Insurance receivables	66,080	-	66,080
Other receivables	26,677	-	26,677
Amounts due from related parties	21,657	-	21,657
Reinsurance contract assets	173,351	-	173,351
Cash and bank balances	137,709	-	137,709
TOTAL ASSETS	1,075,773	70,394	1,146,167
EQUITY AND LIABILITIES			
EQUITY			
Share capital	115,500	-	115,500
Legal reserve	57,750	-	57,750
General reserve	180,000	-	180,000
Reinsurance reserve	2,023	-	2,023
Fair value reserve on financial assets at fair value through other comprehensive income	220,505	-	220,505
Retained earnings	103,509	70,394	173,903
TOTAL EQUITY	679,287	70,394	749,681
LIABILITIES			
Employees' end of service benefits	4,091	-	4,091
Insurance contract liabilities	274,833	-	274,833
Insurance payables	68,734	-	68,734
Other payables	45,690	-	45,690
Amounts due to related parties	3,138	-	3,138
TOTAL LIABILITIES	396,486	-	396,486
TOTAL EQUITY AND LIABILITIES	1,075,773	70,394	1,146,167

31 Restatement (continued)

Statement of profit or loss:

	2021		
	As previously recorded AED'000	Restatement AED'000	As restated AED'000
Gross premiums	301,239	-	301,239
Reinsurance share of premiums	(192,789)	-	(192,789)
Net premiums	108,450	-	108,450
Net transfer to unearned premium reserve	(7,085)	-	(7,085)
Net premiums earned	101,365	-	101,365
Commission earned	20,477	-	20,477
Commission paid	(32,090)	-	(32,090)
Others	3,138	-	3,138
Gross underwriting income	92,890	-	92,890
Gross claims paid	185,415	-	185,415
Reinsurance share	(136,646)	-	(136,646)
Net claims paid	48,769	-	48,769
Provision for outstanding claims and technical provisions	(30,211)	-	(30,211)
Reinsurance share of outstanding claims and technical provisions	18,347	-	18,347
Net claims incurred	36,905	-	36,905
Net underwriting income	55,985	-	55,985
Income from investments – net	22,733	-	22,733
Income from investment properties – net	3,476	2,431	5,907
Other income	164	-	164
Gross income	82,358	2,431	84,789
General and administrative expenses	(25,954)	-	(25,954)
Net profit for the year	56,404	2,431	58,835
	AED		AED
Earnings per share:			
Basic and diluted	0.49	-	0.51

31 Restatement (continued)

Statement of financial position:

	2020		
	As previously recorded AED'000	Restatement AED'000	As restated AED'000
ASSETS			
Statutory deposits	10,000	-	10,000
Property and equipment	582	-	582
Investment properties	72,203	67,963	140,166
Financial assets	426,882	-	426,882
Insurance receivables	70,371	-	70,371
Other receivables	24,231	-	24,231
Amounts due from related parties	31,256	-	31,256
Reinsurance contract assets	197,462	-	197,462
Cash and bank balances	97,945	-	97,945
TOTAL ASSETS	930,932	67,963	998,895
EQUITY AND LIABILITIES			
EQUITY			
Share capital	115,500	-	115,500
Legal reserve	57,750	-	57,750
General reserve	180,000	-	180,000
Reinsurance reserve	1,059	-	1,059
Fair value reserve on financial assets at fair value through other comprehensive income	77,917	-	77,917
Retained earnings	74,662	67,963	142,625
TOTAL EQUITY	506,888	67,963	574,851
LIABILITIES			
Employees' end of service benefits	7,092	-	7,092
Insurance contract liabilities	303,723	-	303,723
Insurance payables	65,148	-	65,148
Other payables	43,789	-	43,789
Amounts due to related parties	4,292	-	4,292
TOTAL LIABILITIES	424,044	-	424,044
TOTAL EQUITY AND LIABILITIES	930,932	67,963	998,895

32 Post-reporting date events

Except for the proposed cash dividend of 10% of paid up capital for the year ended 31 December 2022 (note 25), there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.