Al Wathba National Insurance Company PJSC

Financial statements

31 December 2022

Principal business address:
Al Wathba National Insurance Company PJSC
P.O. Box: 45154
Abu Dhabi
UAE

Board of Directors Report

For the Financial Year Ended 31/12/2022

The Board of Directors of Al Wathba National Insurance Company is pleased to submit the annual report for the year 2022 on the company's business and activities, accompanied by the audited financial statements for the financial year ending on (31/12/2022).

The year 2022 has gone through many challenges, starting with the Russian-Ukrainian war, which led to turmoil in global markets, in addition to affecting energy supplies of gas and oil in a significant number of countries, all this contributed considerably to the rising inflation rates to high levels which prompted central banks to intervene by raising interest rates; these collective measures had an impact on the global financial markets, which were characterized by instability during the year.

There is no doubt that this global situation had cast a long economic shadow on the markets of the region, however the impact was limited to local financial markets, thanks to the wise financial and astute economic policies that were implemented.

In light of all these circumstances, Al Wathba National Insurance Company was able to achieve positive results amounting to 37.9 million dirhams, supported by positive net investment results amounting to 50.7 million dirhams, However, the company's general results were affected by the results of the insurance business, which achieved total losses amounting to 12.8 million dirhams for the year, mainly affected by the motor insurance business, which witnessed intense competition during the year accompanied by high costs, which was also adversely affected by the high level of commissions paid in addition to the continuous inflation in vehicle repair costs, which prompted the company's management to reconsider the company's underwriting policies in motor insurance.

The company achieved gross written premiums for the year 2022 amounting to 306 million dirhams, compared to 316 million dirhams for the year 2021.

Despite all these exceptional circumstances, the company was able to maintain its financial strength rating by the S&P Global ratings at the level of BBB-, which reflects the high financial solvency of the company.

It is also worth noting that the company, for the third year in a row, has disclosed its sustainability report for the year 2022, which reflects the company's commitment to supporting social and economic initiatives through its adoption of sustainable practices in

various aspects of its business and in line with the national vision of the United Arab Emirates, especially since the UAE hosts the 2023 COP28 Conference of the Parties to the UN Framework Convention on Climate Change.

The Basis of Continuity

The Board of Directors reasonably expects that the company has sufficient resources and support to continue its expected operational existence in the future, and for this reason, we, members of the Board of Directors, continue to adopt the principle of going concern in preparing the financial statements for the fiscal year ending on 31/12/2022.

Related Party Transactions

The financial statements show the transactions and balances related to the related parties that were disclosed as all transactions were carried out as part of our normal course of business and without preferential terms and in accordance with the governing laws and applicable regulations.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Sheikh Mohammed Bin Zayed Al Nahyan President of UAE and Ruler of Abu Dhabi and H.H Sheikh Mohamed Bin Rashid Al Maktoum, the Vice President, Prime Minister and the ruler of Dubai and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board would also like to express its sincere appreciation and gratitude to all the company's shareholders and customers for their trust and continuous support, and to all the company's employees for their dedication and contribution to the company's performance during the last period.

Sheikh Saif Bin Mohammed Bin Butti Al Hamed
Chairman

Al Wathba National Insurance Company PJSC

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Independent auditors' report

To the Shareholders of Al Wathba National Insurance Company PJSC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Wathba National Insurance Company PJSC ("the Company") which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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 IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

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 *Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 current period. 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.

Key Audit Matters (continued)

Valuation of gross insurance contract liabilities

See note 2(d), 3, 18 and 30 to the financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of these gross insurance contract liabilities (outstanding claims reserve and claims incurred but not reported reserve) involves significant judgment and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have been incurred but not reported ("IBNR") to the Company. IBNR is calculated by an independent qualified external actuary for the Company. Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on the statement of profit or loss. The key assumptions that drive the liability calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business. The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating liabilities, or for forming judgments over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.	Our audit procedures supported by our actuarial specialists included: • evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for gross outstanding claims and considering if the amounts recorded in the financial statements are valued adequately; • obtaining an understanding of and assessing the methodology and key assumptions applied by management. Independently re-projecting the reserve balances for certain classes of business; • assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process; • checking sample of reserves for gross outstanding claims through comparing the estimated amount of the reserves for gross outstanding claims to appropriate documentation, such as reports from loss adjusters; • assessing the Company's disclosure in relation to these liabilities including the claims development table is appropriate; and • Considering the completeness and accuracy of the data used by the actuaries and corroborating the data with other information used by the team during our audit work.

Key Audit Matters (continued)

Insurance balances receivable	
See note 2(d), 3 and 10 to the financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Company has significant insurance balances receivable against written premium policies. There is a risk over the recoverability and impairment of these receivables. The Company has applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the insurance balances receivable. Under the simplified approach the provision combines the historical loss rate with forward-looking assumptions, along with other factors, taken into account. There are a number of significant judgments which are required in measuring the Expected Credit Losses ('ECL') under IFRS 9.	Our audit procedures on the recoverability and impairment of insurance balances receivable included: • testing key controls over the insurance balances receivable process; • testing the ageing of insurance balances receivable to assess if these have been accurately determined; • tracing the outstanding amounts from sample of counterparties such as policyholders, brokers, insurance and reinsurance companies to underlying supporting documents; • verifying payments received from such counterparties post year-end; • obtaining an understanding of the Company's process for estimating the ECL; • reviewing the computation of Probability of Default ('PD') using the flow rate approach for insurance balances receivable; • performing a recalculation of the loss rate for a sample of aging buckets; and • considering the adequacy of provisions for impairment of insurance balances receivable for significant customers, taking into account specific credit risk assessments for each customer based on default, existence of any disputes over the balance outstanding, history of settlement of receivables liabilities with the same counterparties.

Key Audit Matters (continued)

Valuation of investment properties

See note 2(d), 3 and 12 to the financial statements.

The key audit matter	How the matter was addressed in our audit
The valuation of investment properties is determined through the application of valuation techniques which often involve the exercise of judgment and the use of certain assumptions and estimates. Among other considerations, due to the significance of investment properties, the related estimation uncertainty, and the level of audit effort involved, this is considered as a key audit matter. Investment properties are held at fair value through profit or loss in the Company's statement of financial position as at 31 December 2022 as determined by the Company's external valuation experts.	Our audit procedures supported by our valuation specialists included: • assessing the competence, qualification, independence and integrity of the Company's external valuation experts and reviewing their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work; • obtaining the external valuation reports for all properties and confirming that the valuation approach is in accordance with Royal Institute of Chartered Surveyors' (RICS) standards and is suitable for use in determining the fair values; • assessing the reasonability of the key inputs used by the Company's external valuation experts in determining the fair values and concluding on the appropriateness of fair values reported by the Company's external valuation experts; • performing procedures to test whether property specific standing data supplied to the external valuers by the management is adequate and reliable; and • based on the outcome of our evaluation, determining the adequacy of the disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Board of Directors' Report, which we obtained prior to the date of this auditors' report, and the remaining sections of the Company's Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and 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 we obtained prior to the date of this auditors' 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.

When we read the Company's Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with ISAs.

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

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

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

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

Auditors' 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 auditors' 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.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

— Identify and assess the risks of material misstatement of the 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.

— 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 auditors' 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 auditors' 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, actions taken to eliminate threats or safeguards applied.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, we report that for the year ended 31 December 2022:

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

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

iii) the Company has maintained proper books of account;

iv) the financial information included in the Board of Directors' Report is consistent with the books of account of the Company;

v) as disclosed in notes 7 and 8 to the financial statements, the Company has purchased shares during the year ended 31 December 2022;

vi) note 25 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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

viii) note 34 to the financial statements discloses social contributions made during the year ended 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 explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Richard Ackland
Registration No: 1015
Abu Dhabi, United Arab Emirates

Date: 28 March 2023

Al Wathba National Insurance Company PJSC

Statement of financial position
as at 31 December

	Notes	**2022 AED'000**	2021 AED'000
Assets			
Property and equipment	*14*	**3,573**	4,053
Investment in associates	*13.1*	**142,199**	145,866
Asset held for sale	*13.2*	**19,934**	-
Financial assets at fair value through other comprehensive income	*7*	**428,499**	366,279
Financial assets at fair value through profit or loss	*8*	**389,584**	603,751
Financial assets at amortised cost	*9*	**14,301**	14,301
Investment property under development	*11*	**7,719**	252
Investment properties	*12*	**308,107**	259,900
Statutory deposit	*6*	**6,000**	6,000
Insurance balances receivable	*10*	**72,670**	44,170
Reinsurers' share of unearned premiums reserve	*18*	**52,285**	28,648
Reinsurers' share of outstanding claims reserve	*18*	**120,215**	126,009
Reinsurers' share of claims incurred but not reported reserve	*18*	**12,747**	8,171
Prepayments and other receivables	*10*	**30,504**	49,270
Deposits	*6*	**10,151**	78,138
Bank balances and cash	*6*	**78,142**	104,136
Total assets		**1,696,630**	1,838,944
Equity and liabilities			
Equity			
Share capital	*15*	**207,000**	207,000
Legal reserve	*16*	**103,500**	103,500
Statutory reserve	*16*	**51,750**	51,750
General reserve	*16*	**88,753**	88,753
Capital reserve	*16*	**9,474**	9,959
Reinsurance risk reserve	*17*	**1,256**	491
Investment revaluation reserve		**(17,577)**	(31,176)
Cash flow hedge reserve		**-**	(2,509)
Retained earnings		**547,773**	545,756
Total equity		**991,929**	973,524
Liabilities			
Borrowings	*22*	**208,943**	352,481
Employees' end of service benefits	*24*	**5,695**	5,746
Derivative financial instruments	*23*	**-**	2,898
Trade and other payables	*21*	**140,306**	128,379
		354,944	489,504
Technical reserves			
Unearned premiums reserve	*18*	**141,092**	139,515
Unexpired risk reserve	*18*	**10,058**	1,887
Outstanding claims reserve	*18*	**157,046**	188,144
Claims incurred but not reported reserve	*18*	**37,885**	42,057
Unallocated loss adjustment expenses reserve	*18*	**3,676**	4,313
Total liabilities		**704,701**	865,420
Total equity and liabilities		**1,696,630**	1,838,944

To the best of our knowledge, the financial statements fairly present, in all material respects, the financial position, results of operation and cash flows of the Company as at, and for the year ended 31 December 2022.

Chairman of the Board of Directors   Chief Executive Officer   Chief Financial Officer

The notes set out on pages 13 to 60 form an integral part of these financial statements.

The independent auditors' report on the audit of the financial statements is set out on pages 1 to 7.

Al Wathba National Insurance Company PJSC

Statement of profit or loss
for the year ended 31 December

	Notes	2022 AED'000	2021 AED'000
Gross written premiums	32.1	**306,124**	316,474
Reinsurers' share of gross written premiums	32.1	**(153,011)**	(95,217)
Net premiums written		**153,113**	221,257
Net change in unearned premiums reserve	32.1	**22,060**	(7,241)
Net premium earned		**175,173**	214,016
Commissions earned		**30,740**	23,080
Commissions incurred		**(57,514)**	(64,920)
Gross underwriting income		**148,399**	172,176
Gross claims paid		**(217,539)**	(141,267)
Reinsurers' share of claims paid		**70,346**	24,451
Net claims paid		**(147,193)**	(116,816)
Change in outstanding claims reserve		**31,098**	(11,935)
Change in reinsurers' share of outstanding claims reserve		**(5,794)**	15,029
Net change in incurred but not reported claims reserve		**8,748**	(1,864)
Change in unallocated loss adjustment expense reserve		**637**	419
Net change in unexpired risk reserve		**(8,171)**	(299)
Net claims incurred	32.1	**(120,675)**	(115,466)
Underwriting income		**27,724**	56,710
Other income relating to underwriting	32.1	**1,146**	2,885
General and administrative expenses allocated to underwriting	26	**(43,416)**	(42,051)
Allowance for expected credit losses, *net*	10	**1,712**	752
Net underwriting income		**(12,834)**	18,296
Income from investments, *net*	27	**47,226**	140,388
Income from investment properties (rental income), *net*	12	**4,985**	4,014
Loss from hedging		**(1,287)**	(3,260)
Share of profit from associates	13.1	**18,224**	25,368
Total income		**56,314**	184,806
Other expenses	26	**(4,176)**	(7,636)
Board of directors' remuneration		**(2,700)**	(4,500)
Finance costs, *net*		**(11,466)**	(8,501)
Profit for the year		**37,972**	164,169
Earnings per share:			
Earnings per share (AED)	28	**0.18**	0.79

The notes set out on pages 13 to 60 form an integral part of these financial statements.

The independent auditors' report on the audit of the financial statements is set out on pages 1 to 7.

Al Wathba National Insurance Company PJSC

Statement of profit or loss and other comprehensive income
for the year ended 31 December

	Notes	2022 AED'000	2021 AED'000
Profit for the year		**37,972**	164,169
Other comprehensive Income			
Items that will not be reclassified subsequently to statement of profit or loss:			
Share of other comprehensive income of associates		**(211)**	(157)
Gain on sale of financial assets at fair value through other comprehensive income, *net*		**7,480**	1,664
Changes in fair value of equity investments at fair value through other comprehensive income, *net*	*7*	**12,540**	91,659
Items that are or may be reclassified subsequently to statement of profit or loss:			
Cash flow hedge - effective portion of changes in fair value		**1,222**	1,684
Other comprehensive income for the year		**21,031**	94,850
Total comprehensive income for the year		**59,003**	259,019

The notes set out on pages 13 to 60 form an integral part of these financial statements.

The independent auditors' report on the audit of the financial statements is set out on pages 1 to 7.

Al Wathba National Insurance Company PJSC

Statement of changes in shareholders' equity
for the year ended 31 December

	Share capital AED'000	Legal reserve AED'000	Statutory reserve AED'000	General reserve AED'000	Capital reserve AED'000	Reinsurance risk reserve AED'000	Investment revaluation reserve AED'000	Cashflow hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2021	207,000	103,500	51,750	88,753	9,959	15	(127,019)	(5,929)	395,090	723,119
Total comprehensive income:										
Profit for the year	-	-	-	-	-	-	-	-	164,169	164,169
Other comprehensive income for the year	-	-	-	-	-	-	91,502	1,684	1,664	94,850
Total comprehensive income for the year	-	-	-	-	-	-	91,502	1,684	165,833	259,019
Transaction with owners of the Company										
Dividend paid *(note 15)*	-	-	-	-	-	-	-	-	(10,350)	(10,350)
Total transactions with owners of the Company	-	-	-	-	-	-	-	-	(10,350)	(10,350)
Transfer from retained earnings on disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	-	4,341	-	(4,341)	-
Transfer from retained earnings to reinsurance risk reserve *(note 17)*	-	-	-	-	-	476	-	-	(476)	-
Cashflow hedge	-	-	-	-	-	-	-	1,736		1,736
Balance at 31 December 2021	207,000	103,500	51,750	88,753	9,959	491	(31,176)	(2,509)	545,756	973,524
Balance at 1 January 2022	**207,000**	**103,500**	**51,750**	**88,753**	**9,959**	**491**	**(31,176)**	**(2,509)**	**545,756**	**973,524**
Total comprehensive income:										
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**37,972**	**37,972**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**12,329**	**1,222**	**7,480**	**21,031**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**12,329**	**1,222**	**45,452**	**59,003**
Transaction with owners of the Company										
Dividend paid *(note 15)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(41,400)**	**(41,400)**
Payout of capital reserve *(note 16)*	**-**	**-**	**-**	**-**	**(485)**	**-**				**(485)**
Total transaction with owners of the Company	**-**	**-**	**-**	**-**	**(485)**	**-**	**-**	**-**	**(41,400)**	**(41,885)**
Transfer from retained earnings on disposal of equity investments at fair value through other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**1,270**	**-**	**(1,270)**	**-**
Transfer from retained earnings to reinsurance risk reserve *(note 17)*	**-**	**-**	**-**	**-**	**-**	**765**	**-**	**-**	**(765)**	**-**
Cashflow hedge	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,287**	**-**	**1,287**
Balance at 31 December 2022	**207,000**	**103,500**	**51,750**	**88,753**	**9,474**	**1,256**	**(17,577)**	**-**	**547,773**	**991,929**

The notes set out on pages 13 to 60 form an integral part of these financial statements.

Al Wathba National Insurance Company PJSC

Statement of cash flows

for the year ended 31 December

	Notes	2022 AED'000	2021 AED'000
Cash flow from operating activities			
Profit for the year		**37,972**	164,169
Adjustments for:			
Charge for expected credit losses on insurance balances receivables, *net*	*10*	**(1,712)**	(752)
Change in fair value of financial assets at fair value through profit or loss, *net*	*27*	**47,388**	(157,120)
Gain on disposal of financial assets at fair value through profit or loss, *net*	*27*	**(29,144)**	(6,625)
Provision for employees' end of service benefits	*24*	**815**	727
(Gain) / loss on disposal of property and equipment		**(13)**	5
Depreciation of property and equipment	*14*	**1,829**	1,888
Impairment loss on asset classified as held for sale, *net*	*27*	**1,548**	-
Share of profit of associates	*13.1*	**(18,224)**	(25,368)
Changes in fair value of investment properties	*27*	**(35,451)**	27,600
Finance costs	*22*	**11,466**	8,501
Dividend income	*27*	**(35,927)**	(27,139)
Interest income	*27*	**(304)**	(305)
Loss on hedge instruments		**1,287**	3,260
Net cash used in operations		**(18,470)**	(11,159)
Changes in:			
Insurance balances receivable, prepayments, and other receivables		**(8,022)**	(7,886)
Trade and other payables		**11,927**	27,252
Changes in unearned premiums reserve, *net*		**(22,060)**	7,241
Changes in gross outstanding claims, claims incurred but not reported reserves including unallocated loss adjustment expense and unexpired risk reserves		**(27,736)**	12,967
Change in reinsurers' share of outstanding claims and claims incurred but not reported reserves		**1,218**	(14,317)
Cash (used in) / generated from operations		**(63,143)**	14,098
Employees' end of service benefits paid	*24*	**(866)**	(2,705)
Net cash (used in) / generated from operating activities		**(64,009)**	11,393
Cash flow from investing activities			
Purchase of property and equipment	*14*	**(1,359)**	(1,187)
Proceeds from disposal of property and equipment		**22**	-
Additions to investment properties and investment property under development	*11,12*	**(20,223)**	(252)
Purchase of financial assets at fair value through profit or loss	*8*	**(179,893)**	(135,369)
Proceeds from disposal of financial assets at fair value through profit or loss		**375,816**	78,265
Purchase of financial assets at fair value through other comprehensive income	*7*	**(111,845)**	(13,686)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**69,645**	14,343
Withdrawal of term deposits		**67,987**	20,309
Interest received		**304**	302
Dividends received from associates	*13.1*	**199**	1,267
Dividends received from other investments	*27*	**35,927**	27,139
Net cash generated from / (used in) investing activities		**236,580**	(8,869)
Cash flow from financing activities			
Dividend paid		**(41,400)**	(10,350)
Repayment of borrowings	*22*	**(155,004)**	(29,691)
Payout of capital reserve	*16*	**(485)**	-
Restricted cash movement		**23,511**	47,234
Settlement on derivative financial instruments		**(1,676)**	(3,248)
Net cash (used in) / generated from financing activities		**(175,054)**	3,945
Net (decrease) / increase in cash and cash equivalents		**(2,483)**	6,469
Cash and cash equivalents at 1 January		**74,131**	67,662
Cash and cash equivalents at 31 December	*6*	**71,648**	74,131

Non-cash transactions include write offs against insurance balances receivable amounting to AED 12 thousand *(31 December 2021: AED 362 thousand)* and property, plant and equipment amounting to AED 7,917 thousand *(31 December 2021: AED Nil)*.

The notes set out on pages 13 to 60 form an integral part of these financial statements.

The independent auditors' report on the audit of the financial statements is set out on pages 1 to 7.

1 Legal status and activities

Al Wathba National Insurance Company PJSC (the "Company"), incorporated in Abu Dhabi is registered as a public shareholding Company in accordance with the UAE Federal Law No. (8) of 1984 (as amended) and is governed by the provisions of Federal Law No. (6) of 2007 (as amended) concerning the establishment of the Central Bank of UAE and organisation of the Insurance Operations and its amendments, Federal Law No. 32 of 2021, concerning the Commercial Companies, Central Bank of UAE Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Central Bank of UAE Board of Directors' Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations.

The Company's principal activity is the writing of general insurance business of all classes. The Company operates through its registered head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates, P.O. Box 45154, Abu Dhabi, United Arab Emirates. The Company's shares are listed on Abu Dhabi Securities Exchange (ADX).

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

As at 31 December 2022, the Law was not considered to be substantively enacted from the perspective of IAS 12 – Income Taxes since the threshold of income over which the 9% tax rate would apply and other clarifications were yet to prescribed by way of Cabinet Decisions.

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

The Company is currently in the process of assessing the impact on the financial statements, both from current and deferred tax perspective.

During the year the Company has formed a Limited Liability Company as its subsidiary named as "Al Wathba Real Estate Development L.L.C.", registered on 28 October 2022 in accordance with the provisions of the Federal Decree Law No. 32 of 2021 concerning the Commercial Companies with its registered office established in Dubai. Al Wathba Real Estate Development L.L.C. was not operational as at and for the year ended 31 December 2022.

2 Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and comply with applicable requirements of the Federal Law No. (6) of 2007 (as amended) concerning the Establishment of the Central Bank of UAE & Organisation of the Insurance Operations, the Federal Law No. 32 of 2021 concerning the Commercial Companies and Central Bank of UAE Board of Directors' Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Central Bank of UAE Board of Directors Decision No. (23) of 2019 concerning Instructions Organising Reinsurance Operations.

b) Basis of measurement

The financial statements have been prepared under the historical cost convention except for investment properties, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments which are measured at fair values.

c) Functional and reporting currency

These financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2 Basis of preparation *(continued)*

(d) Use of judgments and estimates

While applying the accounting policies as stated in note 3, management has made certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(i) Estimates

The significant judgments and estimates made by management that have the most significant effects on the amounts recognised in the financial statements are set out below.

The ultimate liability arising from claims made under insurance contracts.

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made at the end of the reporting period both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims Incurred But Not Reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. The carrying value at the reporting date of IBNR reserves (net of related reinsurance receivable) is AED 25,138 thousand and reserves for outstanding claims (net of related reinsurance receivable) is AED 36,831 thousand.

Measurement of the expected credit losses

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

(ii) Other estimates

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of profit or loss.

Fair value of investment properties

Investment properties and property and equipment are assessed for impairment, when there are impairment indicators, using acceptable valuation techniques which is conducted by an independent third-party valuator. The fair values are compared to the carrying amount, to assess any possible impairment.

2 Basis of preparation *(continued)*

(d) Use of judgments and estimates *(continued)*

(iii) Judgements

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

Classification and fair value of investments

Management designates at the time of acquisition of securities whether these should be classified as at Fair Value through Other Comprehensive Income ("FVOCI"), Fair Value through Profit or Loss ("FVTPL) or amortised cost. While making the judgments of whether investments in securities are as at FVOCI, FVTPL or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 "Financial Instruments". Management is satisfied that its investments in securities are appropriately classified.

Management decides on acquisition of an investment whether it should be classified as investments carried at fair value or amortised cost on the basis of both:

a) its business model for managing the financial assets; and
b) the contractual cash flow characteristics of the financial asset.

For equity investments carried at fair value, management decides whether it should be classified as financial assets carried at FVOCI or FVTPL.

Investments in equity instruments are classified and measured at FVTPL, except if the equity investment is not held for trading and is designated by the Company at FVOCI.

Further, even if the asset meets the amortised cost criteria, the Company may choose at initial recognition to designate the financial asset as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch.

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

The fair value of derivative financial instruments is based on their quoted market price, if available. Where the fair value of such instruments cannot be derived from active markets, it is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of derivative financial instruments.

3 Significant accounting policies

The Company has consistently applied the following accounting policies to all periods presented in these financial statements.

Insurance contracts

Definition

The Company issues contracts that transfer either insurance risks or both insurance and financial risks. Insurance contracts are those contracts that transfer significant insurance risk. The Company does not issue contracts that transfer only financial risks.

3 Significant accounting policies *(continued)*

Insurance contracts *(continued)*

Recognition and measurement

Insurance contracts are classified into two main categories, depending on the duration of risk and whether or not the terms and conditions are fixed. These contracts are casualty and property insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events. The typical protection offered is designed for employers who become legally liable to pay compensation to injured employees (employers' liability) and for individual and business customers who become liable to pay compensation to a third party for bodily harm or property damage (public liability).

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

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to statement of profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

Reinsurance contracts held.

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the statement of profit or loss. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

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

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the end of the reporting period and is estimated using the time proportionate method.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

Deferred policy acquisition costs.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are amortised over the terms of the policies as premium is earned.

Salvage and subrogation reimbursements

Estimates of salvage and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims.

3 Significant accounting policies *(continued)*

Insurance contracts *(continued)*

Receivables and payables related to insurance contracts.

Receivables and payables are recognised when due. These include amounts due from policyholders, due to and from agents, brokers, and insurance contract holders.

As per IFRS 9 ECL model, the Company reduces the carrying amount of insurance balances receivable under the new expected credit loss model.

Leases

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

(a) As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received. Subsequently, the right of use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 Significant accounting policies *(continued)*

Leases *(continued)*

(b) As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies IFRS 15 to allocate the consideration in the contract.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'income from investment properties'.

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and impairment, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to profit or loss in the period they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment less their estimated residual values, on a straight-line basis over their expected useful economic lives. The useful lives used for this purpose are:

Buildings	20
Furniture, fixtures and office equipment	2-4
Motor vehicles	4
Computer equipment and accessories	4

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work in progress.

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

3 Significant accounting policies *(continued)*

Investment properties

Investment properties which are properties held to earn rentals and / or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the statement of profit or loss. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Company holds investment properties which are disclosed in note 12.

Impairment of non-financial assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in statement of profit or loss.

Provisions

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

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

Defined benefit plan.

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

Defined contribution plan.

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

3 Significant accounting policies *(continued)*

Financial assets

All financial assets are recognised and derecognised on trade date when the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned. Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at FVTPL, which are initially measured at fair value. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification of financial assets

The Company classifies its financial assets under the following categories: financial assets at amortised cost, FVTPL and FVOCI.

Financial assets at amortised cost

Cash and cash equivalents

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

Insurance balances receivable

Insurance balances receivable and other receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable, less any impairment loss recorded in the statement of profit or loss.

Debt instruments

Debt instruments are measured at amortised cost if both of the following conditions are met:

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

Debt instruments meeting these criteria are measured initially at fair value plus transaction costs except if they are designated as at FVTPL. They are subsequently measured at amortised cost using the effective interest method less any impairment.

Subsequent to initial recognition, the Company is required to reclassify debt instruments from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria is no longer met.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

The Company may irrevocably elect at initial recognition to classify a debt instrument that meets the amortised cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortised cost.

3 Significant accounting policies *(continued)*

Financial assets *(continued)*

Financial assets at FVTPL

Debt instruments that do not meet the amortised cost criteria or that meet the criteria, but the entity has chosen to designate as at FVTPL at initial recognition, are measured at FVTPL.

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at FVOCI at initial recognition as described in the note below.

Financial assets at FVTPL are measured at fair value, with any gains or losses arising being recognised in statement of profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at FVOCI

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation at FVOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking.

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments' revaluation reserve is not reclassified to the statement of profit or loss but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the statement of profit or loss when the Company's right to receive the dividends is established unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends earned are recognised and included in 'net investment income' in the statement of profit or loss.

Impairment of financial assets at amortised cost

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, insurance balances receivable and bank balances including term deposits. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL for bank balances, term deposits and debt instruments at amortised cost are determined using the low credit risk expedient, and therefore recognised a 12-month ECL, as they are held with reputable financial institutions. The Company considers a financial asset to have a low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Company always recognises lifetime ECL for insurance balances receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

3 Significant accounting policies *(continued)*

Financial assets *(continued)*

Impairment of financial assets at amortised cost *(continued)*

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of insurance balances receivable, when the amounts are long past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the statement of profit or loss.

Measurement and recognition of expected credit losses:

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. There is no discounting effect on the insurance balances receivable as these are interest free and has a lifetime of less than one year.

Derecognition of financial assets

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

3 Significant accounting policies *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities comprised of insurance payables and other liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Company enters into derivative financial instruments to manage its exposure to interest rate and foreign currency rate risks, including interest rate swaps and foreign currency forward contracts.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit of loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of profit or loss depends on the nature of the hedge relationship.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in the statement of profit or loss and other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of profit or loss

Dividend distribution

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

3 Significant accounting policies *(continued)*

Revenue recognition

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

Commission income and expense

Commission income is recognised as ‘deferred income’ when the reinsurance contract is entered into and subsequently amortised in the statement of profit or loss over the term of the reinsurance contract.

Commission expense is recognised as ‘deferred acquisition cost’ under prepayment when the policies are issued and subsequently amortised in the statement of profit or loss over the term of the policies as premium is earned.

Dividend income

Dividend income is recognised when the Company’s right to receive the payment has been established.

Interest income

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

Foreign currencies

For the purpose of these financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Company. Transactions in currencies other than AED (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

4 Newly effective standards

The Company will initially adopt IFRS 17 Insurance Contracts (“IFRS 17”), which replaces IFRS 4 Insurance Contracts (“IFRS 4”), from 1 January 2023.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies. IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Identifying contracts in the scope of IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with Discretionary Participation Feature (DPF). When identifying contracts in the scope of IFRS 17, in some cases the company will have to assess whether a set or series of contracts needs to be treated as a single contract and whether embedded derivatives, investment components and goods and services components have to be separated and accounted for under another standard. For insurance and reinsurance contracts, the company does not expect significant changes arising from the application of these requirements.

4 Newly effective standards *(continued)*

Level of aggregation

Under IFRS 17, insurance contracts and investment contracts with DPF are aggregated into groups for measurement purposes. Groups of contracts are determined by first identifying portfolios of contracts, each comprising contracts subject to similar risks and managed together. Contracts in different product lines or issued by different Group entities are expected to be in different portfolios. Each portfolio is then divided into annual cohorts (i.e. by year of issue) and each annual cohort into three groups:

- any contracts that are onerous on initial recognition.
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

Contracts within a portfolio that would fall into different groups only because law or regulation specifically constrains the Group's practical ability to set a different price or level of benefits for policyholders with different characteristics are included in the same group.

For reinsurance contracts, the risks that must be similar and managed together to those transferred from the underlying contract to the issuer of the reinsurance contract is required to be considered. When deciding whether these risks are similar, reference must be made to the risk profile of underlying contracts as well as the nature of the risks that are transferred.

If risks covered are not similar and managed together between different treaties, they will not be classified into the same portfolio. It is possible for a portfolio to consist of a single reinsurance treaty if there are no other reinsurance treaties that are deemed to have similar risks and are managed together.

Status of implementation

The Company has successfully completed its IFRS 17 design phase which included the formation and finalisation of its technical policy decisions which have been reviewed and signed-off by the IFRS 17 Steering Committee.

Both the Company’s audit committee and the IFRS 17 Steering Committee provide oversight and governance over the implementation of the IFRS 17 project. The Steering Committee is comprised of executive management as well as senior management from various functions including finance, information technology and internal audit. Accounting policy papers, actuarial methodologies and disclosure requirements have been defined and are being implemented throughout the Company. The IFRS 17 project team remains up to date and closely monitors all the technical development from the IASB and industry to evaluate the effects of such development.

The Company has made significant progress in the implementation of IFRS 17 and its working on the following areas to complete the transition to IFRS 17:

- Complete the dry run for the year ended 31 December 2021 and 2022 insurance related balances;
- Configure remaining system integration, including policy choices and enhance key controls required to implement IFRS 17;
- Finalise the layout and disclosure of the IFRS 17 compliant annual financial statements;
- Finalise the management reporting and key performance measures;
- Continue engaging with the executive committee and business through various training initiatives; and
- Finalise and implement future financial and data governance processes and accountabilities.

4 Newly effective standards *(continued)*

Status of implementation *(continued)*

Accounting policy choices

The following table sets out the accounting policy choices that the Company intends to adopt:

Particulars	Measurement models applied	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	Premium Allocation Approach (PAA)	Where the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortising them over the contract's coverage period.	The Company plans to amortise insurance acquisition cash flows for all contracts. The Company plans to allocate the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	PAA	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company plans not to make an allowance for time value of money on the LRC for groups of contracts, since the contracts do not contain a significant financing component.
Liability for Incurred Claims ("LIC") adjusted for time value of money	PAA	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	AWNIC will discount claims with an expected settlement period of more than one year and not discount any claims with an expected settlement period of less than 12 months.
Insurance finance income and expenses	PAA	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in other comprehensive income (OCI). The accounting policy choice (the profit or loss or OCI option) is applied on a portfolio basis.	The Company intends to include changes in discount rates and other financial changes in profit or loss.

4 Newly effective standards *(continued)*

Status of implementation *(continued)*

Accounting policy choices *(continued)*

Particulars	Measurement models applied	IFRS 17 options	Adopted approach
Disaggregation of risk adjustment	PAA	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Company does not plan to disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and plans to include the entire change within the insurance service result
Length of cohorts	PAA	Under the guidance of the IFRS 17, entities shall not include contracts issued more than one year apart in the same group in reference to grouping annual / semi-annual / quarterly / monthly cohorts of new business, since it determines a corresponding time limit which enables the option to further divide the groups into smaller groups based on smaller cohorts.	Having smaller cohorts would result in multiple groups and would result in increased measurement requirements. The Company has decided the length of cohort to be on an annual basis.

Use of estimates and judgment

Contract boundaries

The Company uses the concept of contract boundary to determine the cash flows that should be considered in the measurement of groups of insurance contracts. Cash flows are within the boundary of an insurance contract if they arise from the substantive rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Company has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation ends when:

a) the Company has the practical ability to re-price the risks of the particular policyholder or change the level of benefits so that the price fully reflects those risks; or

b) both of the following criteria are satisfied:

   i. the Company has the practical ability to re-price the contract or a portfolio of contracts so that the price fully reflects the reassessed risk of that portfolio; and

   ii. the pricing of premiums up to the date when risks are reassessed does not reflect the risks related to periods beyond the reassessment date.

4 Newly effective standards *(continued)*

Status of implementation *(continued)*

Use of estimates and judgment *(continued)*

Measurement approach

As the PAA is an optional simplified approach for the measurement of the liability of remaining coverage, an entity may choose to use the premium allocation approach when the measurement is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period based on the passage of time.

Insurance revenue and insurance service expenses are recognised in the income statement based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where the following have been identified:

- Relevant pricing decisions;
- Initial stages of a new business acquired where the underlying contracts are onerous; and
- Any other strategic decisions the management considers appropriate.

The Company applies the premium allocation approach to groups of insurance contracts that it issues and groups of reinsurance contracts that it holds where the coverage period is 12 months or less. The Company performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Company expects all of its contracts to be eligible for PAA measurement model.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims.

The PAA Eligibility test will be repeated going forward in the event of significant external or internal changes impacting the Group's product mix, product strategy or invalidating the assumptions used in the PAA eligibility test.

Onerosity determination (define 'facts and circumstances')

Under the PAA, the Company shall assume no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Company will perform the assessment of onerous contracts on an annual and underwriting year basis, in conjunction with updated information on product profitability. Furthermore, the assessment shall be repeated if 'facts and circumstances' indicate that there are significant changes in product pricing, product design, plans and forecasts.

The Company has established a process for the underwriting team to capture onerous, potentially onerous, and profitable contracts by assessing the profitability of the different portfolios at the start of the underwriting year. The profitability of each portfolio shall be assessed separately.

The actuarial team will provide a series of estimates for the historical combined ratio which will be adjusted to reflect the expected combined ratio and enable the differentiation between onerous and profitable groups of contracts.

Once the portfolios are classified into groups according to their profitability, a flag shall be imported into the system. Insurance groups of contracts shall be treated differently within the system if classified as onerous. Once a group has been defined, the Company will not reassess the composition of the groups subsequently.

4 Newly effective standards *(continued)*

Status of implementation *(continued)*

Use of estimates and judgment *(continued)*

Best Estimate of Liabilities

The best estimate liability (BEL) represents the explicit, unbiased and probability weighted best estimate (expected value) of the future cash outflows minus the future cash inflows that arise when the Company fulfils its obligations with respect to the insurance contracts. The BEL, thus include the effects of discounting, allowing for financial risks (to the extent not included in the estimate of the cash flows).

The Company will make use of the following assumptions to project the cash flows for the non-life business where required:

- Expected premium receipts pattern
- Expected claims ratio
- Expected attributable expense ratio
- Expected bad debt
- Expected incidence of risk
- Expected claims payment pattern

For the measurement of the liability for incurred claims (LIC), the Company will use a blended approach (i.e. the chain-ladder, Bornhuetter Ferguson and expected loss ratio techniques are used) for calculating the IBNR and IBNER for all direct lines of business. For the measurement of the inwards reinsurance LIC, the Company will use the expected loss ratio method given the small size of this portfolio.

Acquisition cash flow

The Company had defined acquisition expenses as the costs of selling, underwriting, starting and issuing a group of insurance contracts as per the Standard requirements. The Company has defined acquisition costs as attributable to a contract (or group of contracts) if the cost is incurred to acquire a specific contract or group of contracts (as opposed to new business in general).

Insurance acquisition cash flows allocated to a group are deferred and recognised over the coverage period of contracts in a group.

Risk adjustment

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows, and it reflects the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts.

The Company shall adjust the estimate of the present value of the future cashflows to reflect the compensation that the entity requires for bearing the uncertainty about the amount and timing of the cashflows that arises from non-financial risk. So, the purpose of the risk adjustment for non-financial risk is to measure the effect of uncertainty in the cashflows that arise from insurance contracts, other than uncertainty arising from financial risk.

The risk adjustments for non-financial risk will be determined using the following techniques.

- Liabilities for incurred claims of non-life contracts: a confidence level technique.

The Company adopted the PAA approach after conducting PAA eligibility test. Therefore, risk adjustment for liability for remaining coverage will only be estimated in case a group of contracts is recognised as an onerous.

Applying a confidence level technique, the Company estimates the probability distribution of the expected present value of the future cash flows from insurance contracts at each reporting date and calculates the risk adjustment for non-financial risk as the excess of the value at risk at the 75th percentile (the target confidence level) over the expected present value of the future cash flows.

Risk adjustment was set using the reserve risk factors taken from the CBUAE “E-forms” using Value at Risk (“VaR”) as risk measure at the 75th percentile.

4 Newly effective standards *(continued)*

Status of implementation *(continued)*

Use of estimates and judgment *(continued)*

Discount rates

The bottom-up approach will be used to derive the discount rate for all contracts within the scope of IFRS 17. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rate will be derived using the Abu Dhabi Sovereign Bonds Yield Curves. Management uses judgment to assess liquidity characteristics of the liability cash flows. It was determined that all contracts are considered less liquid than the financial assets used to derive the risk-free yield. For all contracts, the illiquidity premium will be estimated based on market observable liquidity premiums in financial assets, adjusted to reflect the illiquidity characteristics of the liability cash flows.

VAT treatment

The company include transaction-based taxes such as value added taxes that arise directly from existing insurance contracts, or that can be attributed to them on a reasonable and consistent basis as part of the cash flows within the boundary and form part of LRC. However, it is paid directly and is excluded from insurance service results.

Transition approach

Changes in accounting policies resulting from the adoption of IFRS 17 will be applied using a full retrospective approach to the extent applicable. However, if full retrospective application for a group of insurance contracts is impracticable, then the Company may choose either a modified retrospective approach or a fair value approach. If the Company cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it will apply the fair value approach.

The Company has determined that reasonable and supportable information will be available for all contracts in force at the transition date. For all contracts that are eligible for the PAA, the Company has concluded that only current and prospective information was required to reflect circumstances at the transition date, which made the full retrospective application practicable.

Transition impact

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

Changes from IFRS 4	***Impact on equity on transition to IFRS 17***
Under IFRS 17, the Company will discount the future cash flows when measuring liabilities for incurred claims, unless they are expected to occur in one year or less from the date on which the claims are incurred. The 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
The Company's accounting policy under IFRS 17 differs from eligible insurance acquisition cash flows when they are incurred. They are in line with the current practice under which these amounts are recognised separately as deferred acquisition costs.	No changes

The complete assessment of the impacts on the Company's financial statements is in progress. The Company estimates that, on adoption of IFRS 17, the impact of these changes will result in reduction of the Company's total equity between AED 12,000 thousand to AED 16,000 thousand i.e. less than 2.00% of total equity as at 1 January 2022. The impact on equity as at 1 January 2023 is currently being estimated and will be disclosed in the financial reporting for the period 1 January 2023 to 31 March 2023.

4 Newly effective standards *(continued)*

Status of implementation *(continued)*

Changes to preparation and disclosures

For presentation in the statement of financial position, the line items for insurance and reinsurance contracts issued and reinsurance contracts will change significantly compared with the current format of the financial statements. Balance sheet items related to insurance and reinsurance contracts are currently split into the following line items:

- Assets:
  - Insurance balances receivable
  - Reinsurers' share of unearned premiums reserve
  - Reinsurers' share of outstanding claims reserve
  - Reinsurers' share of claims incurred but not reported reserve

- Liabilities:
  - Unearned premiums reserve
  - Outstanding claims reserve
  - Claims incurred but not reported reserve
  - Allocated and unallocated loss adjustment expenses reserve

Under IFRS 17, the Company will aggregate insurance and reinsurance contracts issued and reinsurance contracts held, respectively and present separately on the balance sheet:

- Portfolios of insurance and reinsurance contracts issued that are assets
- Portfolios of insurance and reinsurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

5 Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

Forthcoming requirements	***Effective date***
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 – Definition of Accounting Estimate	1 January 2023
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The following new and amended standards are not expected to have a significant impact on the Company's financial statements, when effective:

New standards or amendments	***Effective date***
Amendment to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IAS 37 – Onerous contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Insight Intended Use	1 January 2022
Amendments to IFRS 3 – Reference to the Conceptual Framework	1 January 2022

6 Cash and cash equivalents

	2022 **AED'000**	2021 AED'000
Bank balances and cash	**78,142**	104,136
Statutory deposit	**6,000**	6,000
Deposits	**10,151**	78,138
Total bank balances, deposits and cash	**94,293**	188,274
Less: deposits with original maturity over three months	**(10,151)**	(78,138)
Less: restricted cash pledged against borrowings *(note 22)*	**(6,494)**	(30,005)
Less: statutory deposit	**(6,000)**	(6,000)
Cash and cash equivalents for the purpose of the statement of cash flows	**71,648**	74,131

Geographical concentration of total bank balances, deposits and cash is as follows:

	2022 **AED'000**	2021 AED'000
Within UAE	**94,293**	188,274

Deposits are held with financial institutions in UAE, with an original maturity of twelve months from the date of placement. Interest is receivable at annual rates ranging from 2.45% to 4.25% per annum *(31 December 2021: 0.09% to 5.50% per annum)*.

In accordance with the requirements of UAE Federal Law No. (6) of 2007 (as amended), the Company maintains a bank deposit of AED 6,000 thousand *(31 December 2021: AED 6,000 thousand)* which cannot be utilised without the consent of the Assistant Governor of the Banking and Insurance Supervision Department of Central Bank of UAE.

7 Financial assets at fair value through other comprehensive income

The financial assets at fair value through other comprehensive income at the end of the reporting period are detailed below:

	2022 AED'000	2021 AED'000
Quoted securities	**427,774**	362,745
Unquoted securities	**725**	3,534
	428,499	366,279

Investments held in the name of the director for the beneficial interest of the Company amounts to AED Nil *(31 December 2021: AED 5,231 thousand)*.

The movement in financial assets at fair value through other comprehensive income during the year is as follows:

	2022 AED'000	2021 AED'000
Balance at 1 January	**366,279**	273,613
Additions	**111,845**	13,686
Disposals	**(62,165)**	(12,679)
Change in fair value	**12,540**	91,659
Balance at 31 December	**428,499**	366,279

The geographical distribution of financial assets at fair value through other comprehensive income is as follows:

	2022 AED'000	2021 AED'000
Within UAE	**428,352**	366,112
Outside UAE	**147**	167
	428,499	366,279

8 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consists of quoted equities in UAE stock exchanges.

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

	2022 AED'000	2021 AED'000
Balance at 1 January	**603,751**	382,902
Additions	**179,893**	135,369
Disposals	**(346,672)**	(71,640)
Change in fair value (*note 27*)	**(47,388)**	157,120
Balance at 31 December	**389,584**	603,751

9 Financial assets at amortised cost

Included in financial assets at amortised cost are two sukuks with a total amount of AED 9,000 thousand which carry profit of six month EIBOR+495 bps or 6.05%, whichever is higher and one bond amounting to AED 5,000 thousand which carries profit of 8.25% *(31 December 2021: two sukuks with a total amount of AED 9,000 thousand which carry profit of six month EIBOR+495 bps or 6.05%, whichever is higher and one bond amounting to AED 5,000 thousand which carries profit of 8.25%)* having an accrued profit of AED 301 thousand for the year ended 31 December 2022 *(31 December 2021: accrued profit of AED 301 thousand).*

10 Insurance balances receivable, prepayments and other receivables

	2022	2021
	AED'000	AED'000
Due from policyholders and brokers	**57,885**	40,335
Due from policyholders – related parties *(note 25)*	**16,660**	14,978
Due from insurance and reinsurance companies	**24,571**	17,027
	99,116	72,340
Less: allowance for expected credit losses	**(26,446)**	(28,170)
Insurance balances receivable	**72,670**	44,170
Prepayments	**3,901**	15,371
Accrued income	**326**	2,873
Other receivables	**26,277**	31,026
Prepayments and other receivables	**30,504**	49,270
	103,174	93,440

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

	2022	2021
	AED'000	AED'000
Less than 30 days	**7,156**	3,860
31 - 90 days	**31,035**	14,288
91 - 180 days	**30,327**	10,530
More than 181 days	**30,598**	43,662
Insurance balances receivable	**99,116**	72,340

The movement in the allowance for expected credit loss is as follows:

	2022	2021
	AED'000	AED'000
At 1 January	**28,170**	29,284
Charge for the year	**(1,712)**	(752)
Write-offs during the year	**(12)**	(362)
At 31 December	**26,446**	28,170

11 Investment property under development

	2022 AED'000	2021 AED'000
At 1 January	**252**	9,423
Impairment	**-**	(9,423)
Additions during the year	**7,467**	252
At 31 December	**7,719**	252

The Company planned to construct a new residential tower on a plot of land located in Technology, Electronic, Commerce and Media Free Zone Authority ("Tecom, Dubai") which is planned to be potentially transferred to a subsidiary "Al Wathba Real Estate Development LLC" after its completion which is expected in 2024.

12 Investment properties

	Land AED'000	Buildings AED'000	Total AED'000
31 December 2022			
At 1 January 2022	**72,581**	**187,319**	**259,900**
Additions	**-**	**12,756**	**12,756**
Changes in fair value	**(2,043)**	**37,494**	**35,451**
	70,538	**237,569**	**308,107**
31 December 2021			
At 1 January 2021	67,868	210,209	278,077
Changes in fair value	4,713	(22,890)	(18,177)
	72,581	187,319	259,900

Investment properties include:

(i) Abu Dhabi Head Office building

This property is located in Abu Dhabi and part of the building is available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 132,000 thousand *(31 December 2021: AED 119,005 thousand).*

(ii) Al Jumeirah Island commercial villas

This property consists of five villas in Dubai available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 45,550 thousand (*31 December 2021: AED 27,343 thousand*).

(iii) Al Nakheel flat

This property is located at Al Nakheel building, The Greens Dubai, and is available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 1,365 thousand (*31 December 2021: AED 1,400 thousand*).

(iv) Land in Dubai Technology, Electronic, Commerce and Media Free Zone Authority

The freehold land in Dubai was purchased in 2004. The fair value of this plot of land in Dubai is estimated by an external RICS certified appraiser at AED 70,538 thousand (*31 December 2021: AED 72,582 thousand*).

(v) New York residential condominium units

Three condominium units, being unit numbers 11D, 14A and 14B located in New York, United States of America. The fair value of these properties are estimated by an external RICS certified appraiser at AED 44,254 thousand (*31 December 2021: AED 39,571 thousand).*

12 Investment properties *(continued)*

(vi) Marina Sunset Bay Villa

The Company has acquired a Villa Located in *Marina Sunset Bay* in Abu Dhabi during the year which is available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 14,400 thousand *(31 December 2021: AED Nil).*

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

	2022 AED'000	2021 AED'000
Rental income	**10,012**	8,678
Direct operating expenses	**(5,027)**	(4,664)
Income from investment properties (rental income), *net*	**4,985**	4,014

The fair value of investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement of the investment property has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of investment properties is determined using market-based approach. Market-based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

13.1 Investment in associates

Details of the Company's associates as of 31 December are as follows:

Name of the associate	**Principal activities'**	**Place of incorporation**	**2022 Ownership interest %**	2021 Ownership interest %
UR International Insurance	Insurance business	Iraq	40.00%	40.00%
Hily Holding PJSC	Import and distribution of food stuff	United Arab Emirates	22.82%	22.82%

The movement in investment in associates during the year is as follows:

	2022 AED'000	2021 AED'000
At 1 January	**145,866**	121,922
Share of profit for the year	**18,224**	25,368
Share of other comprehensive income of associates	**(211)**	(157)
Less: associate classified as held for sale *(note 13.2)*	**(21,481)**	-
Less: cash dividend received	**(199)**	(1,267)
At 31 December	**142,199**	145,866

13.1 Investment in associates *(continued)*

The summarised financial information in respect of the Company's associates is set out below:

	Hily Holding PJSC AED'000	Vision Insurance SAOC AED'000	UR International Insurance AED'000	Total AED'000
31 December 2022				
Total assets	**945,510**	**-**	**30,214**	**975,724**
Total liabilities	**(352,784)**	**-**	**(12,858)**	**(365,642)**
Net assets	**592,726**	**-**	**17,356**	**610,082**
Company's share of associates' net assets	**135,257**	**-**	**6,942**	**142,199**
Total revenue	**39,115**	**-**	**33,321**	**72,436**
Profit for the year	**76,904**	**-**	**1,688**	**78,592**
Company's share of associates' profit for the year	**17,549**	**-**	**675**	**18,224**
31 December 2021				
Total assets	957,894	502,864	26,409	1,487,167
Total liabilities	(444,602)	(375,793)	(10,245)	(830,640)
Net assets	513,292	127,071	16,164	656,527
Company's share of associates' net assets	117,131	22,270	6,465	145,866
Total revenue	39,115	168,189	30,276	237,580
Profit / (loss) for the year	115,942	(17,134)	782	99,590
Company's share of associates' profit / (loss) for the year	27,454	(2,399)	313	25,368

13.2 Asset held for sale

During the year, the Company's associate namely Vision Insurance SAOG ("Vision") passed a resolution to enter into a merger agreement with Oman Qatar Insurance Company SAOG ("OQIC"). As part of the merger consideration, the Company opted for available cash consideration of Baizas 120 per share against total shareholding of 17.53%. The Company's Board of Directors approved the cash consideration during the year and accordingly, the Company recognised the associate as held for sale as at 31 December 2022 amounting to AED 19,934 thousand, net of impairment loss *(31 December 2021: AED Nil)*.

14 Property and equipment

	Building and land AED'000	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost					
1 January 2021	4,741	6,444	803	7,126	19,114
Additions	-	370	-	818	1,188
Disposals	-	(208)	-	-	(208)
At 31 December 2021	4,741	6,606	803	7,944	20,094
At 1 January 2022	**4,741**	**6,606**	**803**	**7,944**	**20,094**
Additions	**-**	**118**	**90**	**1,151**	**1,359**
Disposals	**-**	**-**	**(35)**	**-**	**(35)**
Write off	-	**(3,177)**	**(65)**	**(4,676)**	**(7,917)**
At 31 December 2022	**4,741**	**3,547**	**793**	**4,419**	**13,500**
Accumulated depreciation:					
1 January 2021	3,160	5,818	456	4,922	14,356
Charge for the year	316	160	147	1,265	1,888
Disposals	-	(203)	-	-	(203)
At 31 December 2021	3,476	5,775	603	6,187	16,041
At 1 January 2022	**3,476**	**5,775**	**603**	**6,187**	**16,041**
Charge for the year	**316**	**411**	**190**	**912**	**1,829**
Disposals	**-**	**-**	**(26)**	**-**	**(26)**
Write off	-	**(3,177)**	**(64)**	**(4,676)**	**(7,917)**
At 31 December 2022	**3,792**	**3,009**	**703**	**2,423**	**9,927**
Net carrying amount:					
At 31 December 2021	1,265	831	200	1,756	4,053
At 31 December 2022	**949**	**538**	**90**	**1,996**	**3,573**

15 Share capital

	2022 AED'000	2021 AED'000
Authorised, issued and fully paid		
207,000,000 (*31 December 2021: 207,000,000*) ordinary shares of AED 1 each	**207,000**	207,000

At the Annual General Meeting held on 25 April 2022, the shareholders approved the distribution of cash dividend of AED 0.20 amounting to AED 41,400 thousand *(31 December 2020: Annual General Meeting held on 25 April 2021, the shareholders approved the distribution of cash dividend of AED 10,350 thousand).*

16 Reserves

Legal reserve

In accordance with the Federal Law No. 32 of 2021 Concerning the Commercial Companies and the Company's Articles of Association, 10% of net profit were to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. Since the legal reserve of the Company is equal to 50% of the paid-up share capital, therefore, there are no further transfers. This reserve is not available for any distribution to the shareholders.

Statutory reserve

As required by the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance of the statutory reserve equals 25% of the Company's paid-up share capital. This reserve is not available for distribution. The Company has resolved to discontinue such annual transfers since the reserve has reached 25% of the paid-up share capital.

General reserve

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

The Board of Directors proposed a transfer of AED Nil *(31 December 2021: AED Nil*) from retained earnings to general reserve, which was approved in the Annual General Meeting held on 25 April 2022 *(31 December 2020: 25 April 2021).*

Capital reserve

In accordance with the Board of Directors' resolution which was adopted by the Shareholders in their Annual General Meeting held on 19 May 1999, this reserve is earmarked for the settlement of any claims with respect to compensating the previous non-national shareholders of the Company. AED 485 thousand payment was made to these shareholders during the year *(31 December 2021: AED Nil)*.

17 Reinsurance risk reserve

In accordance with Article (34) to Central Bank of UAE's Board of Directors Decision No. (23) of 2019, insurance companies incorporated in the State and licensed by the Central Bank of UAE shall bind in the preparation of its annual financial statements and its final accounts to allocate an amount equal to 0.5% (five per thousand) of the total reinsurance premiums ceded by them in all classes in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the Company or default in its financial position. The provision shall be accounted year after year based on the reinsurance premiums ceded and may not be disposed of without the written approval of the Assistant Governor of the Banking and Insurance Supervision Department of Central Bank of UAE. The decision is effective from 1 December 2020. Accordingly, an amount of AED 1,256 thousand *(31 December 2021: AED 476 thousand)* has been recorded in equity as a reinsurance risk reserve as at 31 December.

18 Insurance contract liabilities and reinsurance contract assets

Outstanding claims reserve, claims incurred but not reported reserve (IBNR), unearned premiums reserve, and related reinsurers' share are as follows:

	2022	2021
	AED'000	AED'000
Insurance contract liabilities		
Unearned premium reserve	**141,092**	139,515
Unexpired risk reserve	**10,058**	1,887
Outstanding claims reserve (i)	**157,046**	188,144
Claims incurred but not reported reserve	**37,885**	42,057
Unallocated loss adjustment reserve	**3,676**	4,313
	349,757	375,916
Reinsurance contract assets		
Unearned premium reserve	**(52,285)**	(28,648)
Outstanding claims reserve	**(120,215)**	(126,009)
Claims incurred but not reported reserve	**(12,747)**	(8,171)
	(185,247)	(162,828)
Insurance liabilities - *net*		
Unearned premium reserve	**88,807**	110,867
Unexpired risk reserve	**10,058**	1,887
Outstanding claims reserve (i)	**36,831**	62,135
Claims incurred but not reported reserve	**25,138**	33,886
Unallocated loss adjustment reserve	**3,676**	4,313
	164,510	213,088

(i) Outstanding claims reserve includes allocated loss adjustment expenses reserve of AED 6,082 thousand *(31 December 2021: AED 5,161 thousand*).

Actuarial valuation for IBNR, allocated and unallocated loss adjustment expenses reserve (ALAE / ULAE), unexpired risk reserve (URR) and related assumptions.

IBNR reserve and ALAE / ULAE are calculated by external actuaries using a selection of actuarial methods. The analysis is segmented by line of business to provide enough credible and homogeneous claims data and different methods are used to take into account different claim development trends for each line of business. IBNR and ALAE / ULAE are calculated both gross and net of reinsurance using actual reinsurance data to ensure the correct impact of reinsurance is reflected in the reserves.

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

19 Unearned premium reserve

The movement in the unearned premium reserve, and the related reinsurers' share, are as follows:

	31 December 2022			31 December 2021		
	Gross AED'000	**Reinsurers' share AED'000**	**Net AED'000**	Gross AED'000	Reinsurers' share AED'000	Net AED'000
Unearned premium reserve						
At 1 January	**139,515**	**(28,648)**	**110,867**	131,254	(27,628)	103,626
Written during the year	**306,124**	**(153,011)**	**153,113**	316,474	(95,217)	221,257
Earned during the year	**(304,547)**	**129,374**	**(175,173)**	(308,213)	94,197	(214,016)
At 31 December	**141,092**	**(52,285)**	**88,807**	139,515	(28,648)	110,867

20 Outstanding claims reserve and claims incurred but not reported

The movement in the provision for outstanding claims reserve, ALAE / ULAE and claims incurred but not reported reserve and the related reinsurers' share are as follows

	31 December 2022			31 December 2021		
	Gross AED'000	**Reinsurers' Share AED'000**	**Net AED'000**	**Gross** AED'000	Reinsurers' Share AED'000	Net AED'000
Claims						
Outstanding claims reserve	**192,457**	**(126,009)**	**66,448**	180,941	(110,980)	69,961
Claims incurred but not reported reserve	**42,057**	**(8,171)**	**33,886**	40,905	(8,883)	32,022
Total at 1 January	**234,514**	**(134,180)**	**100,334**	221,846	(119,863)	101,983
Claims paid during the year	**(217,539)**	**70,346**	**(147,193)**	(141,267)	24,451	(116,816)
Increase in liabilities	**181,632**	**(69,128)**	**112,504**	153,935	(38,768)	115,167
Total at 31 December	**198,607**	**(132,962)**	**65,645**	234,514	(134,180)	100,334
Outstanding claims reserve including ALAE and ULAE	**160,722**	**(120,215)**	**40,507**	192,457	(126,009)	66,448
Claims incurred but not reported reserve	**37,885**	**(12,747)**	**25,138**	42,057	(8,171)	33,886
Total at 31 December	**198,607**	**(132,962)**	**65,645**	234,514	(134,180)	100,334

21 Trade and other payables

	2022 AED'000	2021 AED'000
Trade payables	**34,912**	23,960
Due to related parties *(note 25)*	**9,568**	4,087
Insurance and reinsurance balances payable	**63,018**	45,554
Accrued expenses	**17,885**	33,947
Dividend payable	**6,228**	6,230
Other payables	**8,695**	14,601
	140,306	128,379

Accounts payable are non-interest bearing and are normally settled on 60 to 90 days' terms.

22 Borrowings

	2022 AED'000	2021 AED'000
Term loan 1	**88,895**	107,489
Term loan 2	**120,048**	244,992
	208,943	352,481

The movement in the borrowings of the Company is as follows:

	2022 AED'000	2021 AED'000
Term loan facilities		
Opening balance	**352,481**	373,671
Add: finance cost incurred during the year	**11,466**	8,501
Repayments made during the year	**(155,004)**	(29,691)
Balance as at 31 December	**208,943**	352,481

Term loan 1

During 2020, the Company obtained a bank facility amounting to AED 133,466 thousand *(31 December 2021: AED 133,466 thousand)* from a local commercial bank. The loan carries fixed interest rate of 3-month EIBOR plus margin and charged quarterly. The amount of the loan is repayable in twenty quarterly principal instalments commencing from 12 April 2020 till 12 January 2025. The loan is secured against investment properties comprising head office building and a plot of land. As at 31 December 2022, the outstanding loan balance was AED 81,129 thousand *(31 December 2021: AED 107,489 thousand)*.

Documentation of takeover of Term loan 1 with an international commercial bank is in its final stage against the mortgage of the head office building and villas in Dubai. An amount of AED 7,766 thousand was received during the year in addition to Term loan 1 for making the last loan repayment to a local bank.

Term loan 2

During 2020, the Company obtained a bank facility amounting to AED 237,576 thousand from an international commercial bank to finance its operations and short-term liabilities. The loan carries fixed interest rate of 3-month EIBOR plus margin and charged quarterly. The amount of the loan is repayable in one bullet payment at the end of the loan term of three years. During September 2022, the loan which was repayable in one bullet payment was extended to 60 months from the inception date to February 2025. The loan is secured against investments in equity securities and investment in associates. During the last quarter of the year the Company repaid AED 125,000 thousand. As at reporting date, the outstanding loan balance including finance cost was AED 120,048 thousand *(31 December 2021: AED 244,992 thousand*).

Cash amounting to AED 6,494 thousand (*31 December 2021: AED 30,005 thousand)* is secured against bank borrowings *(note 6)*.

23 Derivative financial instruments

Cash flow hedge – Interest rate swap

The Company is exposed to variability in future interest cash flows on interest bearing loans and borrowings which bear interest at a variable rate.

In order to reduce its exposure to interest rates fluctuations on the term loan 2 disclosed in *note 22* above, the Company had entered into an interest rate swap arrangement, from floating interest rate to fixed interest rate with a counter-party bank for a notional amount that mirrors the draw down and repayment schedule of the loans, covering 100% of the outstanding interest-bearing loans and borrowings. The fixed interest rate for the Company is 1.67% per annum. The floating interest rate is based on EIBOR. The notional amount outstanding at 31 December 2022 was AED 245,000 thousand *(31 December 2021: AED 245,000 thousand)*.

The derivative instrument which is entered into for the purpose of cash flow hedge has been closed during the third quarter and fair value is AED Nil as at 31 December 2022 *(31 December 2021: AED 2,898 thousand)*.

23 Derivative financial instruments *(continued)*

	Positive market value AED'000	Negative market value AED'000	Notional amount AED'000	—Notional amounts by term to maturity— Less than three months AED'000	From three months to one year AED'000	From one year to three years AED'000
31 December 2022						
Held as cash flow hedge						
Interest rate derivates swap	**-**	**-**	**-**	**-**	**-**	**-**
31 December 2021						
Held as cash flow hedge						
Interest rate derivates swap	2,898	2,679	245,000	-	-	245,000

24 Employees' end of service benefits

	2022 AED'000	2021 AED'000
Balance at 1 January	**5,746**	7,724
Charge for the year	**815**	727
Paid during the year	**(866)**	(2,705)
Balance at 31 December	**5,695**	5,746

25 Related Parties

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

Compensation of key management personnel

Compensation of key management personnel of the Company is as follows:

	2022 AED'000	2021 AED'000
Short term benefits	**3,928**	4,171
Bonus	-	21,950
Employees' end of service benefits	**185**	173
Other benefits	-	135
	4,113	26,429

25 Related Parties *(continued)*

	2022 AED'000	2021 AED'000
Transactions with related parties		
Gross premiums written:		
Directors and related companies	**33,252**	34,343
Claims paid:		
Directors and related companies	**(14,249)**	(11,523)
Other expenses	**(459)**	(459)
Board of directors' remuneration	**2,700**	4,500
Balances with related parties		
Due from related parties:		
Directors and related companies *(note 10)*	**16,660**	14,978
Due to related parties:		
Directors and related companies *(note 21)*	**(9,568)**	(4,087)
Prepaid expenses	**383**	383

26 General and administrative expenses

	2022 AED'000	2021 AED'000
Staff costs	**26,339**	29,943
Maintenance expenses	**3,813**	3,546
Fees and licenses	**2,642**	2,592
Rent expenses	**1,398**	1,536
Depreciation of property and equipment *(note 14)*	**1,829**	1,888
Other expenses	**11,571**	10,182
	47,592	49,687
Allocated to:		
Underwriting	**43,416**	42,051
Other expenses	**4,176**	7,636
	47,592	49,687

27 Income from investment, *net*

	2022 **AED'000**	2021 AED'000
Changes in fair value of investment properties *(note 11,12)*	**35,451**	(27,60
Gain on disposal of financial assets at fair value through profit or loss, *net*	**29,144**	6,625
Changes in fair value of financial assets at fair value through profit or loss *(note 8)*	**(47,388)**	157,120
Impairment loss on asset classified as held for sale	**(1,548)**	-
Dividend income	**35,927**	27,139
Interest income	**304**	305
Other investment expense, *net*	**(4,664)**	(23,201)
	47,226	140,388

28 Earnings per share

Earnings per share are calculated by dividing profit for the year by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the earnings per share computations:

	2022	2021
Profit for the year (AED'000)	**37,972**	164,169
Weighted number of shares in issue throughout the year (shares in '000)	**207,000**	207,000
Earnings per share (AED)	**0.18**	0.79

As at 31 December 2022 and 2021, the Company has not issued any instruments that have a dilutive impact on earnings per share when exercised.

29 Risk management

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of the set financial performance objectives, and to ensure insurance benefits are available to policyholders as and when needed. Management recognises the critical importance of having efficient and effective enterprise risk management framework embedded in the Company.

AWNIC's Audit Committee assists the Board of Directors in discharging its responsibilities with regard to the financial reporting, external audit, internal audit and compliance functions. The responsibility includes, reviewing and monitoring the integrity of annual consolidated financial statements and condensed interim financial statements, corporate governance report, advising on the appointment of external auditors, supervise their independence, reviewing the effectiveness of the external audit process, reviewing the effectiveness of internal audit and compliance functions, review the effectiveness of AWNIC's risk management framework, along with assessment and responses to key business risks, and compliance with the applicable laws and regulations.

29 Risk management *(continued)*

Governance framework *(continued)*

The Board of Directors has approved and implemented governance functions and structures, including an Internal Audit function that is independent of the Management and reports directly to the Company's Audit Committee.

Capital management objectives, policies and approach

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

The capital management objectives are:

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

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

Approach to capital management

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

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

The primary source of capital used by the Company is equity funds provided by shareholders and borrowings from commercial banks.

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Equity comprises share capital, legal reserve, statutory reserve, general reserve, capital reserve, investment revaluation reserve and retained earnings, and is measured at AED 994,000 thousand as at 31 December 2022 *(31 December 2021: AED 973,350 thousand)*.

The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Central Bank of UAE allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

29 Risk management *(continued)*

Approach to capital management *(continued)*

As per the Federal Law No. (6) of 2007 (as amended) concerning the Establishment of the Central Bank of UAE and Organisation of the Insurance Operations, the minimum capital requirement remains at AED 100,000 thousand for insurance companies.

The table below summarises the Minimum Capital Requirement of the Company and the total capital held by the Company:

	2022 **AED'000**	2021 AED'000
Total capital held by the Company	**207,000**	207,000
Minimum regulatory capital	**100,000**	100,000

30 Insurance and financial risk

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

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

The major highlights of the regulations are summarised in the below table:

Regulation

1. Basis of investing the rights of the policy holders;
2. Solvency margin and minimum guarantee fund;
3. Basis of calculating the technical reserves;
4. Determining the Company's assets that meet the accrued insurance liabilities;
5. Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Central Bank of UAE
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records; and
7. Accounting policies to be adopted and the necessary forms needed to be prepared and present reports and financial statements.

Insurance risk

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

30 Insurance and financial risk *(continued)*

Insurance risk *(continued)*

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

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. The reinsurance strategy of the Company is designed to protect exposures to individual risks and events based in current risk exposures through cost effective insurance agreements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and general accident, marine and aviation risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

Property

For property insurance contracts, the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has obtained necessary reinsurance covers to limit losses from individual claims.

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims. The Company has excess of loss protection and quota share treaty to limit losses from individual claims, in addition to a reinsurance treaty arrangement of 75% for high valued claims (i.e. claims above AED 300 thousand).

Medical

For medical insurance, the main risks are claims for in-patient which includes the non-excluded cases of medical conditions or bodily injuries requiring hospitalisation and claims for out-patient which includes physician consultation, diagnostic procedures, pharmaceuticals, therapies and minor day care surgery.

The Company underwrites medical policies exclusively for their employees. During the year only one medical policy was written *(31 December 2021: one policy),* relating to the Company’s employees. The policy has a reinsurance treaty arrangement of 80% to limit the losses.

Marine and aviation

For marine and aviation insurance, the main risks are loss or damage to marine hull, aviation craft and accidents resulting in the total or partial loss of cargos. The underwriting strategy for the marine and aviation class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has obtained necessary reinsurance covers to limit losses from individual claims.

30 Insurance and financial risk *(continued)*

Insurance risk *(continued)*

Concentration of insurance risk

The Company does not have any single insurance contract or small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that might involve significant litigation. The segmental concentration of insurance risk is set out below.

	2022	2021
	AED'000	AED'000
Gross		
Motor	**6,366,907**	8,919,239
Technical	**145,071,728**	123,856,837
	151,438,635	132,776,076
Net		
Motor	**4,689,277**	8,664,901
Technical	**26,172268**	28,036,452
	30,861,545	36,701,353

Sensitivity of underwriting profits and losses

The contribution by the insurance operations in the profit of the Company amounts to AED (12,833) thousand loss for the year ended 31 December 2022 *(31 December 2021: AED 18,298 thousand profit)*. The Company does not foresee any major impact from insurance operations due to the following reasons:

The Company has an overall risk retention level of 50% *(31 December 2021: 70%)* and the same is evenly contributed across the portfolio *(31 December 2021: 70%)*. However, motor and technical lines of business' liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company's 42% volume of business *(31 December 2021: 32%)* has low risk retention. The Company has limited exposure in high retention areas like Motor, and the poor performance of the motor portfolio led to an overall loss ratio 69% *(31 December 2021: 54%)*; however, the Company does not foresee any serious financial impact in the insurance net profit.

Managing reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

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

30 Insurance and financial risk *(continued)*

Insurance risk *(continued)*

Claims development process.

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

Accident year	2018 and earlier AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Non-Motor gross:						
At the end of the accident year	**989,164**	**62,830**	**48,527**	**47,309**	**78,312**	**1,226,142**
One year later	**989,512**	**58,589**	**66,589**	**37,104**	**-**	**1,151,794**
Two year later	**982,317**	**56,593**	**62,293**	**-**	**-**	**1,101,203**
Three year later	**958,786**	**56,818**	**-**	**-**	**-**	**1,015,604**
Four year later	**951,283**	**-**	**-**	**-**	**-**	**951,283**
Current estimate of cumulative claims	**951,283**	**56,818**	**62,293**	**37,104**	**78,312**	**1,185,810**
Cumulative payments to date	**925,273**	**43,750**	**43,863**	**18,459**	**11,419**	**1,042,764**
Liability recognised in the statement of financial position	**26,010**	**13,068**	**18,430**	**18,645**	**66,893**	**143,046**

Accident year	2018 and earlier AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Motor gross:						
At the end of the accident year	**1,047,156**	**118,132**	**111,943**	**136,741**	**142,806**	**1,556,778**
One year later	**1,038,851**	**110,217**	**98,541**	**136,326**	**-**	**1,383,935**
Two year later	**1,030,635**	**110,516**	**99,253**	**-**	**-**	**1,240,404**
Three year later	**1,021,205**	**107,775**	**-**	**-**	**-**	**1,128,980**
Four year later	**1,005,940**	**-**	**-**	**-**	**-**	**1,005,940**
Current estimate of cumulative claims	**1,005,940**	**107,775**	**99,253**	**136,326**	**142,806**	**1,492,100**
Cumulative payments to date	**1,001,139**	**105,121**	**89,196**	**131,013**	**110,070**	**1,436,539**
Liability recognised in the statement of financial position	**4,801**	**2,654**	**10,057**	**5,313**	**32,736**	**55,561**
Total liability	**30,811**	**15,722**	**28,487**	**23,958**	**99,629**	**198,607**

30 Insurance and financial risk *(continued)*

Insurance risk *(continued)*

Claims development process *(continued)*

Accident year	2018 and earlier AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Non-Motor- net of reinsurance:						
At the end of the accident year	**246,696**	**8,917**	**10,159**	**11,287**	**12,174**	**289,233**
One year later	**243,456**	**6,965**	**7,750**	**6,066**	**-**	**264,237**
Two year later	**241,699**	**6,604**	**7,291**	**-**	**-**	**255,594**
Three year later	**238,387**	**6,206**	**-**	**-**	**-**	**244,593**
Four year later	**237,607**	**-**	**-**	**-**	**-**	**237,607**
Current estimate of cumulative claims	**237,607**	**6,206**	**7,291**	**6,066**	**12,174**	**269,344**
Cumulative payments to date	**232,715**	**4,112**	**3,684**	**3,451**	**1,755**	**245,717**
Liability recognised in the statement of financial position	**4,892**	**2,094**	**3,607**	**2,615**	**10,419**	**23,627**

Accident year	2018 and earlier AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Motor- net of reinsurance:						
At the end of the accident year	**865,745**	**103,699**	**101,293**	**131,304**	**125,252**	**1,327,293**
One year later	**857,024**	**95,667**	**88,461**	**129,157**	**-**	**1,170,309**
Two year later	**854,769**	**94,337**	**87,666**	**-**	**-**	**1,036,772**
Three year later	**847,613**	**91,858**	**-**	**-**	**-**	**939,471**
Four year later	**834,968**	**-**	**-**	**-**	**-**	**834,968**
Current estimate of cumulative claims	**834,968**	**91,858**	**87,666**	**129,157**	**125,252**	**1,268,901**
Cumulative payments to date	**831,784**	**90,023**	**79,722**	**126,181**	**99,173**	**1,226,883**
Liability recognised in the statement of financial position	**3,184**	**1,835**	**7,944**	**2,976**	**26,079**	**42,018**
Net liability	**8,076**	**3,929**	**11,551**	**5,591**	**36,498**	**65,645**

30 Insurance and financial risk *(continued)*

Financial risk

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. Senior management reviews and agrees policies for managing each of these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Company's five largest customers account for 53% of outstanding insurance balances receivable at 31 December 2022 *(31 December 2021: 50%)*.

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company manages credit risk on its cash deposits and investments by ensuring that counter parties have a good credit rating. The Company does not have an internal credit rating of counter parties and consider all counter parties with which the Company deals to be of the same high credit quality.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Equity price risk

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

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

The following table estimates the sensitivity to a possible change in equity markets on the Company's total comprehensive income for the year, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Market index	**Change in variables**	**2022 Impact on comprehensive income AED'000**	2021 Impact on comprehensive income AED'000
Abu Dhabi Securities Exchange	+5%	**35,746**	40,872
Dubai Financial Market	+5%	**5,116**	7,446
Other Markets	+5%	**5**	6

30 Insurance and financial risk *(continued)*

Financial risk *(continued)*

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is not excessively exposed to interest rate risk as its interest sensitive assets are repriced frequently.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit based on interest bearing financial assets held at 31 December.

	Effect on profit AED'000
31 December 2022	
100 decrease in basis points	**(245)**
100 increase in basis points	**(245)**
31 December 2021	
100 decrease in basis points	(984)
100 increase in basis points	984

Currency risk

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

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

Liquidity risk

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

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

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

	Current Up to 1 year AED'000	**Non-current more than 1 year AED'000**	**Total AED'000**
31 December 2022			
Trade and other payables	**140,306**	**-**	**140,306**
Borrowings	**-**	**208,943**	**208,943**
Total	**140,306**	**208,943**	**349,249**
31 December 2021			
Trade and other payables	128,379	-	128,379
Borrowings	-	352,481	352,481
Total	128,379	352,481	480,860

30 Insurance and financial risk *(continued)*

Financial risk *(continued)*

Liquidity risk *(continued)*

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

	Current AED '000	Non-current AED '000	Total AED '000
31 December 2022			
Cash and bank balances *(note 6)*	**88,293**	**6,000**	**94,293**
Financial assets at fair value through other comprehensive income *(note 7)*	**-**	**428,499**	**428,499**
Financial assets at fair value through profit or loss *(note 8)*	**389,584**	**-**	**389,584**
Financial assets at amortised cost	**-**	**14,301**	**14,301**
Asset held for sale *(note 13.2)*	**19,934**	**-**	**19,934**
Insurance receivables and prepayments *(note 10)*	**103,174**	**-**	**103,174**
Reinsurance contracts assets *(note 18)*	**185,247**	**-**	**185,247**
Investment properties *(note 12)*	**-**	**308,107**	**308,107**
Investment property under development *(note 11)*	**-**	**7,719**	**7,719**
Investment in associates *(note 13.1)*	**-**	**142,199**	**142,199**
Property and equipment *(note 14)*	**-**	**3,573**	**3,573**
	786,232	**910,398**	**1,696,630**
31 December 2021			
Cash and bank balances *(note 6)*	182,274	6,000	188,274
Financial assets at fair value through other comprehensive income *(note 7)*	-	366,279	366,279
Financial assets at fair value through profit or loss *(note 8)*	603,751	-	603,751
Financial assets at amortised cost	-	14,301	14,301
Insurance receivables and prepayments *(note 10)*	93,440	-	93,440
Reinsurance contracts assets *(note 18)*	162,828	-	162,828
Investment properties *(note 12)*	-	259,900	259,900
Investment property under development (*note 11)*	-	252	252
Investment in associates (*note 13.1)*	-	145,866	145,866
Property and equipment (*note 14)*	-	4,053	4,053
	1,042,293	796,651	1,838,944

Except for employees' end of service benefits of AED 5,695 thousand *(31 December 2021: AED 5,746 thousand)* and borrowings of AED 208,943 thousand (*31 December 2021: AED 352,072 thousand)*, the Company expects its liabilities of AED 490,063 thousand *(31 December 2021: AED 534,602 thousand)* to mature in less than twelve months from the date of the statement of financial position.

Operational risks

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes.

30 Insurance and financial risk *(continued)*

Capital risk management

The Company's objectives when managing capital is to ensure ongoing and future compliance with the insurance capital requirements set by the Federal Law No. (6) of 2007 (as amended) concerning the Organisation of Insurance Operations.

In UAE, the local insurance regulator specifies the minimum amount and type of capital that must be held by the Group in addition to its ties. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

In UAE, all insurance companies are required to comply with Financial Regulations for Insurance Companies that came into force on 29 January 2015. The Company is subject to local insurance solvency regulations with which it has complied with during the year. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

As per the Federal Law No. (6) of 2007 (as amended) concerning the Organisation of Insurance Operations, the minimum capital requirement remains at AED 100 million for insurance companies. The table below summarises the Minimum Capital Requirement of the Company and the total capital held by the Company.

	(Unaudited) **30 September 2022 AED'000**	*(Audited)* 31 December 2021 AED'000
Total capital held by the Company	**207,000**	207,000
Minimum regulatory capital for an insurance company	**100,000**	100,000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**241,467**	246,396
Minimum Guarantee Fund (MGF)	**80,489**	82,132
Own funds		
Basic Own Funds	**482,518**	394,838
MCR Solvency Margin - Surplus	**382,518**	294,838
SCR Solvency Margin - Surplus	**241,051**	148,442
MGF Solvency Margin - Surplus	**402,029**	312,706

31 Fair values

Fair value of financial instruments and non-financial assets

Financial instruments comprise of financial assets and financial liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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Notes to the financial statements

31 Fair values *(continued)*

Fair value of financial instruments and non-financial assets *(continued)*

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

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

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
At 31 December 2022				
Financial assets at fair value through profit or loss	**386,241**	**3,343**	**-**	**389,584**
Financial assets at fair value through other comprehensive income	**421,838**	**5,936**	**725**	**428,499**
	808,079	**9,279**	**725**	**818,083**
At 31 December 2021				
Financial assets at fair value through profit or loss	571,791	31,960	-	603,751
Financial assets at other through other comprehensive income	325,541	37,204	3,534	366,279
	897,332	69,164	3,534	970,030

During the reporting period ended 31 December 2022, there were three transfers amounting to AED 31,1665 thousand between Level 1 and Level 2 fair value measurements *(31 December 2021: two transfers amounting to AED 69,164 million between Level 1 and Level 2 fair value measurement)*, and no transfers into and out of Level 3 fair value measurements.

The investments in quoted equities are valued based on quoted prices in an active market and thus these have been classified as Level 1.

For investment in funds, the fair values are based on Net Asset Values (NAV) calculated by the respective fund managers. For investments in unquoted equity securities, the fair values are based on internal valuation techniques such as discounted cash flows and comparable companies' multiples. The valuation of funds and unquoted equity securities qualifies as Level 3 fair value measurement.

Movement in Level 3 for financial assets at fair value through other comprehensive income is as follows:

	2022 **AED'000**	2021 AED'000
Balance as at 1 January	**3,534**	15,597
Change in fair value	**(2,805)**	(8,731)
Disposals	**(4)**	(3,332)
Balance at 31 December	**725**	3,534

32 Segment reporting

For management purposes the Company is organised into departments based on the classes of insured risks. The reportable operating segments of the Company are marine and aviation, fire and general accident, motor, medical (together considered as underwriting) and investments.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the year and their reconciliation to the Company's income and profit for the year.

32.1 Segment revenue and results

	31 December 2022					
	Marine and Aviation	**Fire and General Accident**	**Motor**	**Medical**	**Investments**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Gross written premiums	**10,753**	**117,518**	**176,022**	**1,831**	**-**	**306,124**
Reinsurers' share of gross written premiums	**(7,822)**	**(97,265)**	**(46,381)**	**(1,543)**	**-**	**(153,011)**
Net change in unearned premiums reserve	**(652)**	**(317)**	**23,029**	**-**	**-**	**22,060**
Net commission earned / (incurred)	**713**	**4,921**	**(32,735)**	**327**	**-**	**(26,774)**
Net claims incurred	**(1,334)**	**(4,282)**	**(115,357)**	**298**	**-**	**(120,675)**
Other income relating to underwriting	**33**	**516**	**597**			**1,146**
Income from investment properties (rental income), *net*	**-**	**-**	**-**	**-**	**4,985**	**4,985**
Share of profit from associates*, net*	**-**	**-**	**-**	**-**	**18,224**	**18,224**
Income from investments, *net of loss from hedging and finance costs*	**-**	**-**	**-**	**-**	**31,773**	**31,773**
Segment profit before allocated expenses	**1,691**	**21,091**	**5,175**	**913**	**54,982**	**83,852**
Allocated expenses, *net*	**(1,517)**	**(10,849)**	**(28,212)**	**(1,126)**	**-**	**(41,704)**
Segment profit / (loss) for the year	**174**	**10,242**	**(23,037)**	**(213)**	**54,982**	**42,148**
Unallocated expenses						**(4,176)**
Profit for the year						**37,972**

32 Segment reporting *(continued)*

32.1 Segment revenue and results *(continued)*

	31 December 2021					
	Marine and Aviation AED'000	Fire and General Accident AED'000	Motor AED'000	Medical AED'000	Investments AED'000	Total AED'000
Gross premiums written	8,354	91,468	214,863	1,789	-	316,474
Reinsurers' share of written premiums	(6,643)	(71,965)	(15,215)	(1,394)	-	(95,217)
Net change in unearned premium reserve	(103)	370	(7,916)	408	-	(7,241)
Net commission earned / (incurred)	1,619	4,583	(47,995)	(47)	-	(41,840)
Net claims incurred	85	(3,074)	(111,873)	(604)	-	(115,466)
Other income relating to underwriting	33	561	2,291			2885
Income from investment properties (rental income), *net*	-	-	-	-	4,014	4,014
Share of profit from associates*, net*	-	-	-	-	25,368	25,368
Income from investments, *net of loss from hedging and finance costs*	-	-	-	-	124,127	124,127
Segment profit before allocated expenses	3,345	21,943	34,155	152	153,509	213,104
Allocated expenses, *net*	(1,302)	(11,074)	(28,401)	(522)	-	(41,299)
Segment profit for the year	2,043	10,869	5,754	(370)	153,509	171,805
Unallocated expenses						(7,636)
Profit for the year						164,169

32 Segment reporting *(continued)*

32.2 Segment assets and liabilities

	31 December 2022			31 December 2021		
	Underwriting AED'000	**Investments AED'000**	**Total AED'000**	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	**357,068**	**1,333,083**	**1,690,151**	379,909	1,436,471	1,816,380
Unallocated assets			**6,479**			22,564
Total assets			**1,696,630**			1,838,944
Segment liabilities	**461,337**	**222,673**	**684,010**	453,073	372,453	825,526
Unallocated liabilities			**20,691**			39,894
Total liabilities			**704,701**			865,420
Capital expenditure	**1,359**	**-**	**1,359**	1,187	-	1,187

32.3 Segment revenue from underwriting departments

The following is an analysis of the Company's revenues (representing gross premiums, commission earned and other income relating to underwriting) classified by major underwriting departments.

	2022 AED'000	2021 AED'000
Motor	**184,738**	221,183
Fire and general accidents	**138,176**	108,474
Marine and aviation	**12,885**	10,993
Medical and personal assurance	**2,211**	1,789
	338,010	342,439

32.4 Geographical segment

The Company's underwriting business is based entirely within UAE, except for treaty re-insurance arrangements which are held with companies based primarily in Europe. All the investments of the Company are held in the UAE except for certain investments in securities which are held in other countries and investment properties which are held in the United States of America (USA).

Total revenues (representing gross written premiums and commission earned) and total assets by geographical location are detailed below:

	Revenue		**Total assets**	
	2022 AED'000	2021 AED'000	**2022 AED'000**	2021 AED'000
UAE	**307,292**	325,095	**1,571,846**	1,684,267
Europe	**30,718**	17,345	**69,225**	81,382
USA	**-**	-	**44,254**	39,571
Other countries	**-**	-	**11,305**	33,724
	338,010	342,440	**1,696,630**	1,838,944

33 Commitments and contingent liabilities

Contingent liabilities

At 31 December 2022, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 543 thousand *(31 December 2021: AED 1,324 thousand)*.

At 31 December 2022, the Company's share in contingent liabilities and commitments in respect of its associates amounts to AED 500 thousand *(31 December 2021: AED 3,600 thousand)* and AED 16,206 thousand *(31 December 2021: AED 1,200 thousand)* respectively.

Legal claims

The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. Management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 7,934 thousand *(31 December 2021: AED 11,717 thousand)* representing amounts expected to result in a probable outflow of economic resources.

34 Social contribution

The social contribution (including donations and charity) made during the year amount to AED 112 thousand *(31 December 2021: AED 100 thousand*).

35 General

The financial statements were approved by the Board of Directors and authorised for issue in their meeting held on 27 March 2023.