Al Wathba National Insurance Company PJSC

Consolidated financial statements

31 December 2023

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

Zoho Sign Document ID: 2A8F7BDB-LBQBJPIPPZ1TEHHIXFZN10EYKOYAUKLCZPVCT14TVCQ

Board of Directors Report
For the Financial Year Ended 31/12/2023

The Board of Directors of Al Wathba National Insurance Company is pleased to present the Annual Report for the fiscal year 2023, encompassing an overview of the company's business operations and activities. This report is accompanied by the audited financial statements for the financial year ending on December 31, 2023, providing stakeholders with comprehensive insights into our performance, achievements, and strategic initiatives undertaken during the reporting period.

During the year 2023, the global economy exhibited fluctuations primarily attributed to sustained high levels of global interest rates. These fluctuations influenced the performance of both global and regional financial markets, introducing volatility and uncertainty across various sectors.

In contrast to the global trends, the local economy of the United Arab Emirates demonstrated resilience and a notable resurgence in growth rates. This positive trajectory was underpinned by strategic initiatives and policies, fostering stability and confidence within the UAE financial markets.

Amidst the backdrop of global economic fluctuations and the buoyant local economy, Al Wathba National Insurance Company showed robust performance throughout the year. Notably, the company's investment portfolio yielded significant returns, with a net investment income amounting to 229 million dirhams.

The commendable performance of our investment portfolio underscores the effectiveness of our diverse and strategic investment policy. Al Wathba National Insurance Company's prudent approach to investment allocation enabled us to navigate the dynamic global economic landscape while capitalizing on emerging opportunities.

During the fiscal year 2023, Al Wathba National Insurance Company (AWNIC) recorded an insurance revenue of AED 285 million dirhams. However, the company reported a net insurance service result of AED (33) million dirhams, indicating a loss in this segment. This performance reflects the highly competitive nature of the local insurance market, wherein pricing pressures exerted a downward influence on profitability. This was mainly attributed to the motor business underwritten in the year 2022 at lower rates from the broker segment which affected the results negatively.

The local insurance market witnessed intense competition throughout the year, compelling insurers to navigate challenges associated with pricing strategies. Despite the headwinds, the market experienced a corrective movement during the year, signaling a potential shift towards improved pricing dynamics. This corrective movement is anticipated to positively impact AWNIC's insurance business, paving the way for enhanced profitability in the forthcoming period.

Despite the challenges encountered within the insurance segment, AWNIC delivered a commendable overall financial performance. The company's net profit for the year amounted to AED 177 million dirhams, showcasing a substantial increase compared to AED 31 million dirhams reported in the previous year. This notable improvement in net profit underscores AWNIC's resilience and ability to capitalize on diversified revenue streams amidst evolving market conditions.

Sustainability information

The Company recognizes the importance of minimizing its environmental footprint and managing environmental risks. We strive to integrate environmental considerations into our business operations and decision-making processes.

GHG Emissions Reductions

The company initiated its sustainable journey in 2019 with the introduction of its inaugural ESG report. Over the following years, significant progress was made, as AWNIC integrated sustainability throughout its operations via the implementation of various ESG initiatives and the establishment of a comprehensive sustainability policy. As part of our commitment to reducing our carbon footprint, we have implemented a series of measures aimed at enhancing energy efficiency and promoting the integration of renewable energy sources. These proactive initiatives align with our environmental goals while exemplifying our dedication to responsible business practices, setting the stage for a more sustainable future within the insurance sector and beyond.

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Sustainable Insurance

As a responsible and sustainable company, we are aiming at the integration of sustainable and green products within our insurance portfolio which presents a viable strategy for emission reduction, playing a pivotal role in our overarching objective of attaining net zero emissions by 2050. We are committed to integrating ESG concepts into its corporate insurance business and personal insurance business, conducting all activities in the insurance value chain in a responsible and forward-looking manner and taking full account of ESG factors in the development, design and underwriting of insurance products to reduce risks. For that purpose, we are aiming at designing sustainable products under three categories: - a) Motor insurance for EV cars b) Technical insurance for green & sustainable properties. c) Insurance for Sustainable customers.

The ratio of green premium for EV and hybrid vehicles to overall premium issued is 2.2% for the year ended 31 December 2023 (31st December 2022 is 0.4%)

	31 December 2023 AED'000	31 December 2022 AED'000
Green insurance premium	3,055	763

Social Indicators

Increasing the number of women in workforce and UAE national employee in the workforce can offer social and economic benefits.

The ratio of number of women taking on leadership and supervisory roles in the organization to the overall number of employees at senior level is 28% for the year ended 31 December 2023 (31 December 2022: 18%)

As we reflect on the fiscal year of 2023, it is evident that Al Wathba National Insurance Company remains steadfast in its commitment to delivering value to our stakeholders. Despite the challenges posed by global economic fluctuations, our unwavering dedication to strategic investment practices has resulted in commendable financial outcomes, positioning the company for sustained growth and success in the years ahead.

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The Board of Directors also would like to extend its highest thanks and gratitude to His Highness Sheikh Mohamed bin Zayed Al Nahyan- President of the United Arab Emirates and Ruler of Abu Dhabi - and His Highness Sheikh Mohammed bin Rashid Al Maktoum - Vice President & Prime Minister of the United Arab Emirates , Ruler of Dubai and to the Crown Prince of Abu Dhabi, His Highness Sheikh Khaled bin Mohamed bin Zayed Al Nahyan, and to all the rulers of the Emirates for their patronage and support for the prosperity of this country and all its economic institutions, including the Al Wathba National Insurance Company.

Lastly, we express our profound appreciation to all the employees of Al Wathba National Insurance Company. Your dedication, hard work, and unwavering commitment have been the cornerstone of our success. It is through your collective efforts and contributions that we have achieved significant milestones and overcome challenges. As we look towards the future, we remain confident in our collective ability to navigate complexities and seize opportunities, guided by our shared vision and values.

On behalf of the Board of Directors, we extend our best wishes for continued success and prosperity to all stakeholders, and we reaffirm our commitment to upholding the highest standards of integrity, transparency, and excellence in all our endeavors.

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 Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Al Wathba National Insurance Company PJSC ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated 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 material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting 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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matters (continued)

Measurement of Insurance contract Liabilities

See note 3 and 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Measurement of gross insurance contract liabilities is a key audit matter due to the financial significance to the consolidated financial statements, and the inherent complexity involved within the estimation process. The gross insurance contract liabilities comprise premium provisions (liability for remaining coverage – LRC) and claims provisions (liability for incurred claims – LIC). The Group has applied the Premium Allocation Approach ("PAA") for all groups of insurance contracts. The measurement process involves a number of actuarial estimation techniques. These techniques are reliant on historical data and a number of assumptions which are subjective in nature. Further, significant judgement is required in determining the appropriate measurement approach for distinct portfolios. Changes to estimation techniques and assumptions can lead to a material impact on the measurement of insurance contract liabilities and a corresponding effect on the consolidated statement of profit or loss. Insurance contract liabilities measured using the PAA remain susceptible to a risk that an inappropriate amount of LIC is estimated due the following elements: • Methods to determine ultimate expected claims are inappropriately determined.	Our audit procedures, supported by our actuarial and accounting specialists, included: • Performing walkthroughs to understand and assess the design effectiveness and implementation of the controls over the underwriting, claims payments and reserving (estimation of LIC and LRC) processes. • Testing operating effectiveness of key controls over underwriting, claims payments and reserving process, including IT general and application controls. • Holding discussions with finance and actuarial staff and management's actuarial specialists to obtain an understanding of the following: - LIC and LRC estimation methodology; - Key assumptions used and changes thereof; and - Transition approach and the process followed. • Assessing the appropriateness of management's assessment to determine the classification of groups of insurance contracts; and the selection of the appropriate measurement approaches. • Evaluating methods and assumptions to determine the appropriateness of ultimate expected claims including ultimate claim ratios, frequency and severity of claims, and claims payment patterns. This included evaluating management's methodology against market practice. • Performing an independent calculation of LIC for a sample of insurance contract groups to challenge management's assumptions used within the LIC calculation.

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Key Audit Matters (continued)

Measurement of Insurance contract Liabilities

See note 3, and 24 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
• Assumptions used in estimating ultimate expected claims are inappropriately developed. • The methods, assumptions and data are inappropriately applied. The measurement of these liabilities depends on complete and accurate data. If the data used in calculating the above insurance contract liabilities is not complete and accurate, then material impacts on the consolidated financial statements may arise. Specific audit and actuarial expertise is required to evaluate complex actuarial methodologies and assumptions. <u>Transition to IFRS 17</u> Transition to IFRS 17 Insurance Contracts ("IFRS 17") represents a material change to the recognition, measurement and presentation of insurance contracts. In accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), the Group has recognized the impact upon transition to the new standard within equity and has restated the comparative financial information. IFRS 17 also introduced disclosure requirements which require considerable management effort and interpretation in the preparation of the consolidated financial statements.	• Checking the mathematical accuracy of the methods, assumptions and data to measure the insurance contract liabilities. • Evaluating management's method for determining expected premium receipts, including the methodology for allocation of expected premium receipts to the relevant accounting period. • Assessing the competence, qualification, independence and integrity of the Group's external actuarial experts. • Considering the terms of engagement between management specialists and the Group to understand the scope of work to be performed by management specialists, and evaluating whether the scope addresses the specific requirements of IFRS 17 implementation. • Testing the completeness, accuracy and relevance of data used to determine LIC and LRC balance. • Evaluating the new accounting policies adopted by the Group upon transition to IFRS 17. This involved challenging management on areas of judgement and methodology choices considering the IFRS 17 principles and market practice. • Assessing the completeness and accuracy of disclosures within the consolidated financial statements in respect of the transition, LIC and LRC considering the disclosure requirements of IFRS 17.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there

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is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, UAE Federal Law No. 48 of 2023 and the Financial Regulations for Insurance Companies issued on 28 December 2014, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

— Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 2023:

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

ii) the consolidated 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 Group has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Group;

v) as disclosed in note 6 and 7 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2023;

vi) note 20 to the consolidated financial statements discloses material related party transactions and the terms under which they were conducted;

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Report on Other Legal and Regulatory Requirements (continued)

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

viii) note 32 to the consolidated financial statements discloses the social contributions made during the year ended 31 December 2023.

Further, as required by the UAE Federal Law No. 48 of 2023 and the Financial Regulations for Insurance Companies issued on 28 December 2014, 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 number: 1015
Abu Dhabi, United Arab Emirates

Date 29 MAR 2024

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Al Wathba National Insurance Company PJSC

Consolidated statement of financial position

as at

	Note	**31 December 2023**	31 December 2022	1 January 2022
		AED'000	AED'000 *Restated**	AED'000 *Restated**
Assets				
Property and equipment	*13*	**3,394**	3,573	4,053
Investment in associates	*12*	**145,005**	142,199	145,867
Financial assets at amortised cost	*8*	**14,098**	14,301	14,301
Financial assets at fair value through other comprehensive income	*6*	**362,182**	428,499	366,279
Financial assets at fair value through profit or loss	*7*	**548,941**	389,584	603,751
Investment properties	*11*	**380,911**	308,107	259,900
Investment property under development	*10*	**40,278**	7,719	252
Asset held for sale		**-**	19,934	-
Statutory deposits	*5*	**6,000**	6,000	6,000
Reinsurance contract assets	*24.2*	**135,885**	159,619	149,073
Prepayments and other receivables	*9*	**5,679**	9,703	24,743
Term deposits	*5*	**59,343**	10,151	78,137
Cash and cash equivalents	*5*	**58,234**	78,142	104,136
Total assets		**1,759,950**	1,577,531	1,756,492
Equity and liabilities				
Equity				
Share capital	*16*	**207,000**	207,000	207,000
Legal reserve	*14*	**103,500**	103,500	103,500
Statutory reserve	*14*	**51,750**	51,750	51,750
General reserve	*14*	**88,753**	88,753	88,753
Capital reserve	*14*	**9,474**	9,474	9,959
Fair value reserve	*14*	**101,887**	(17,577)	(31,176)
Reinsurance risk reserve	*15*	**1,991**	1,256	491
Cash flow hedge reserve		**-**	-	(2,509)
Retained earnings		**705,962**	531,843	536,406
Total equity		**1,270,317**	975,999	964,174
Liabilities				
Borrowings	*17*	**88,541**	208,943	352,481
Employees' end of service benefits	*18*	**5,471**	5,695	5,746
Insurance contract liabilities	*24.1*	**320,631**	310,051	357,784
Reinsurance contract liabilities	*24.2*	**35,442**	41,593	17,507
Other payables	*19*	**39,548**	35,250	58,800
Total liabilities		**489,633**	601,532	792,318
Total equity and liabilities		**1,759,950**	1,577,531	1,756,492

Chairman of the Board of Directors

Chief Financial Officer

The notes set out on pages 12 to 60 form an integral part of these consolidated financial statements.

The independent auditors' report on audit of the consolidated financial statements is set out on pages 1 to 6.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3).

Al Wathba National Insurance Company PJSC

Consolidated statement of profit or loss
for the year ended 31 December

	Note	2023 AED'000	2022 AED'000 *Restated**
Insurance revenue	*28*	**284,649**	303,341
Insurance service expenses	*28*	**(258,468)**	(285,507)
Amounts recoverable from reinsurers for incurred claims	*28*	**49,582**	66,953
Allocation of reinsurance premiums	*28*	**(108,907)**	(106,291)
Insurance service result		**(33,144)**	(21,504)
Income from Investment, *net***	*21*	**221,550**	47,225
Income from investment properties (rental income), *net*		**5,528**	4,985
Share of profit of equity-accounted investees	*12*	**1,991**	18,224
Loss from hedging		**-**	(1,287)
Net investment income		**229,069**	69,147
Finance income / (expenses) from insurance contracts issued		**(1,627)**	3,604
Finance (expenses) / income from reinsurance contracts held		**2,475**	(2,531)
Net insurance finance income / (expenses)		**848**	1,073
Net insurance and investment result		**196,773**	48,716
Other income		**158**	2,204
Other operating expenses	*22*	**(5,663)**	(5,362)
Other finance costs		**(9,679)**	(11,466)
Board of directors' remuneration		**(4,500)**	(2,700)
Profit for the year		**177,089**	31,392
Earnings per share:			
Earnings per share (AED)	*23*	**0.86**	0.15

The notes set out on pages 12 to 60 form an integral part of these consolidated financial statements.

The independent auditors' report on the audit of the Consolidated financial statements is set out on pages 1 to 6.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3).

**Net Investment income includes interest income calculated based on effective interest rate.

Al Wathba National Insurance Company PJSC

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

	2023	2022
	AED'000	AED'000
		*Restated**
Profit for the year	**177,089**	31,392
Other comprehensive income		
Items that will not be reclassified to consolidated statement of profit or loss in subsequent periods		
Share of other comprehensive income / (loss) of associates	**1,318**	(211)
Gain on sale of financial assets at fair value through other comprehensive income, *net*	**28,224**	7,480
Change in fair value of financial assets at fair value through other comprehensive income, *net*	**129,087**	12,540
Items that are or may be reclassified to consolidated statement of profit or loss in subsequent periods		
Cash flow hedge - effective portion of changes in fair value	**-**	1,222
Other comprehensive income for the year	**158,629**	21,031
Total comprehensive profit for the year	**335,718**	52,423

The notes set out on pages 12 to 60 form an integral part of these consolidated financial statements.

The independent auditors' report on the audit of the consolidated financial statement is set out on pages 1 to 6.

* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 3).

Al Wathba National Insurance Company PJSC

Consolidated 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	Fair value reserve AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total AED'000
Balance at 1 January 2022, as previously reported	207,000	103,500	51,750	88,753	9,959	491	(31,176)	(2,509)	545,756	973,524
Adjustment on initial application of IFRS 17, *net of tax*	-	-	-	-	-	-	-	-	(9,350)	(9,350)
Restated balance at 1 January 2022	207,000	103,500	51,750	88,753	9,959	491	(31,176)	(2,509)	536,406	964,174
Total comprehensive income (Restated)*										
Profit for the period	-	-	-	-	-	-	-	-	31,392	31,392
Other comprehensive (loss) / income for the period	-	-	-	-	-	-	12,329	1,222	7,480	21,031
Total comprehensive (loss) / income for the period *(Restated*)*	-	-	-	-	-	-	12,329	1,222	38,872	52,423
Transfer to profit or loss account from cashflow hedge reserve	-	-	-	-	-	-	-	1,287	-	1,287
Payout of capital reserve	-	-	-	-	(485)	-	-	-	-	(485)
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	1270	-	(1270)	-
Dividend paid	-	-	-	-	-	-	-	-	(41,400)	(41,400)
Transfer from retained earnings to reinsurance risk reserve	-	-	-	-	-	765	-	-	(765)	-
Restated balance at 31 December 2022	207,000	103,500	51,750	88,753	9,474	1,256	(17,577)	-	531,843	975,999
Balance at 1 January 2023	**207,000**	**103,500**	**51,750**	**88,753**	**9,474**	**1,256**	**(17,577)**	-	**531,843**	**975,999**
Total comprehensive income										
Profit for the period	-	-	-	-	-	-	-	-	**177,089**	**177,089**
Other comprehensive income for the period	-	-	-	-	-	-	**130,405**	-	**28,224**	**158,629**
Total comprehensive income for the period	-	-	-	-	-	-	**130,405**	-	**205,313**	**335,718**
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	-	**(10,941)**	-	**10,941**	-
Dividend paid	-	-	-	-	-	-	-	-	**(41,400)**	**(41,400)**
Transfer from retained earnings to reinsurance risk reserv	-	-	-	-	-	**735**	-	-	**(735)**	**-**
Balance at 31 December 2023	**207,000**	**103,500**	**51,750**	**88,753**	**9,474**	**1,991**	**101,887**	-	**705,962**	**1,270,317**

The notes set out on pages 12 to 60 form an integral part of these consolidated financial statements.

* Comparative information has been restated on account of first-time adoption of IFRS 17 Insurance Contracts (refer note 3).

Al Wathba National Insurance Company PJSC

Consolidated statement of cash flows

for the year ended 31 December

	Note	**2023**	2022
		AED'000	AED'000
			*Restated**
Cash flow from operating activities			
Profit for the year		**177,089**	31,392
Adjustments for:			
Changes in fair value of financial assets at fair value through profit or loss, *net*	*7*	**(146,548)**	47,388
Gain on disposal of financial assets at fair value through profit or loss, *net*	*7*	**(32,177)**	(29,144)
Gain on disposal of property and equipment		**(24)**	(13)
Provision for employees' end of service benefits	*18*	**945**	815
Depreciation of property and equipment	*13*	**1,779**	1,829
Impairment loss on asset classified as held for sale, *net*		**-**	1,548
Share of profit of associates		**(1,991)**	(18,224)
Changes in fair value of investment properties		**(58,740)**	(35,451)
Finance costs		**9,679**	11,466
Dividend income		**(30,299)**	(35,927)
Interest income		**(1,464)**	(304)
Loss on hedge instruments		**-**	1,287
Net cash generated from operations		**(81,751)**	(23,338)
Changes in:			
Insurance and reinsurance contract assets		**23,734**	(10,547)
Insurance and reinsurance contract liabilities		**4,429**	(23,646)
Prepayments and other receivables		**4,843**	15,040
Trade and other payables		**10,527**	(20,652)
Cash used in operations		**(38,218)**	(63,143)
Employees' end of service benefits paid	*18*	**(1,169)**	(866)
Net cash used in operating activities		**(39,387)**	(64,009)
Cash flow from investing activities			
Purchase of property and equipment		**(1,600)**	(1,359)
Additions to investment properties and investment properties under development		**(46,623)**	(20,223)
Purchase of financial assets at fair value through profit or loss	*7*	**(84,623)**	(179,893)
Purchase of financial assets at fair value through other comprehensive income	*6*	**(4,404)**	(111,845)
Proceeds from sale of property and equipment		**24**	22
Proceeds from disposal of financial assets at fair value through other comprehensive income		**228,032**	69,645
Proceeds from disposal of financial assets at fair value through profit or loss		**103,991**	375,816
Proceeds from disposal of asset held for sale		**19,934**	-
(Placement) of term deposits		**(25,562)**	(3,512)
Withdrawal of term deposits		**2,000**	71,499
Interest received		**848**	304
Dividends received from associates		**503**	199
Dividends received from other investments		**30,299**	35,927
Net cash generated from investing activities		**222,819**	236,580
Cash flow from financing activities			
Finance cost paid		**(9,679)**	(11,466)
Repayment of borrowings		**(132,788)**	(143,538)
Term loan received		**12,386**	-
Payout of capital reserve		**-**	(485)
Dividend paid		**(41,400)**	(41,400)
Unclaimed dividend paid		**(6,229)**	-
Settlement of derivative financial instrument		**-**	(1,676)
Restricted cash movement		**6,494**	23,511
Net cash used in financing activities		**(171,216)**	(175,054)
Net increase in cash and cash equivalents		**12,216**	(2,483)
Cash and cash equivalents at 1 January		**71,648**	74,131
Cash and cash equivalents at 31 December		**83,864**	71,648

The notes set out on pages 12 to 60 form an integral part of these consolidated financial statements.

The independent auditors' report on the audit of the consolidated financial statements is set out on pages 1 to 6

* Comparative information has been restated on account of first time adoption of IFRS 17 Insurance Contracts (refer note 3)

1 Legal status and principal 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. (48) of 2023(as amended) concerning the Establishment of the Central Bank of UAE and Organisation of the Insurance Operations and its amendments, Federal Decree 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).

2 Basis of preparation

(a) *Basis of consolidation*

The consolidated financial statements comprises the financial results of the Company and its following subsidiaries (together "the Group"):

Subsidiary	Principal activity	Country of incorporation	Ownership
AWNIC Investment Limited	Investment Management	Cayman Islands	100%
Al Wathba Real Estate Development LLC*	Real Estate	United Arab Emirates	100%

* During the year of 2022 the Group 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 31st December 2023.

(b) *Statement of compliance*

The consolidated 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. (48) of 2023 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.

(c) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost convention except for the following.

- Investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at fair values.
- Groups of insurance and reinsurance contracts, which are measured under the premium allocation approach. The details of the Group's significant accounting policies and measurement approach are included in note 3 of the consolidated financial statements.

(d) *Functional and reporting currency*

These consolidated financial statements are presented in United Arab Emirates Dirhams ("AED"), which is the Group's functional currency. Except as indicated, financial information presented in AED has been rounded to the nearest thousand.

2 Basis of preparation *(continued)*

(e) Use of judgements 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.

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

The key judgements and estimates which the Group applied as a result of IFRS 17 are disclosed in note 3(b).

(i) Other Estimates

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

Measurement of the expected credit losses

When measuring Expected Credit Losses ("ECL") on financial assets, the Group 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, considering 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.

Fair value of investment properties

Investment properties and properties 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.

(ii) Other Judgements

In the process of applying the Group's accounting policies, management has made the following other judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated 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 based on 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 Group at FVOCI.

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

2 Basis of preparation *(continued)*

(e) ***Use of judgements and estimates*** *(continued)*

Where the fair value of financial assets and financial liabilities recorded in the consolidated 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 Material Accounting policies

The Group has consistently applied following the accounting policies to all periods presented in these consolidated financial statements, except if mentioned otherwise in these consolidated financial statements.

In addition, the Group has adopted Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS practice Statement 2) and from 1 January 2023. The amendments require the disclosure of material rather than significant accounting policies. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements.

Leases

At inception of a contract, the Group 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 Group 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 Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group 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 Group's incremental borrowing rate. Generally, the Group 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 Group has applied a 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 Group 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

3 Material Accounting policies *(continued)*

Leases *(continued)*

Short-term leases and leases of low-value assets

The Group 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(a) As a lessor

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

When the Group 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 Group 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 Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset.

When the Group 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 Group 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 Group applies IFRS 15 to allocate the consideration in the contract.

The Group 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 Group 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 consolidated statement of profit or loss.

3 Material Accounting policies *(continued)*

Property and equipment *(continued)*

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 Group's policy.

Investment properties

Investment properties 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 consolidated 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 10 &11.

Impairment of non-financial assets

At the end of each reporting period, the Group 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 Group 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 Group 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 consolidated 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 the consolidated statement of profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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.

3 Material Accounting policies *(continued)*

Defined benefit plan.

The Group 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 Group pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (57) of 2023 for Pension and Social Security. The Group also has a separate pension scheme for the expatriate employees.

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 Group 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.

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 Group 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.

3 Material Accounting policies *(continued)*

Financial assets *(continued)*

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 Group 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.

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 Group 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 consolidated statement of profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 Group 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 Group 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 consolidated statement of profit or loss but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the consolidated statement of profit or loss when the Group'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 consolidated statement of profit or loss.

Impairment of financial assets at amortised cost

The Group 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.

3 Material Accounting policies *(continued)*

Financial assets *(continued)*

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 Group 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 Group always recognises lifetime ECL for insurance balances receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group'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.

Definition of default

The Group 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 Group, in full (without taking into account any collateral held by the Group).

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

Write-off policy

The Group 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 Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in the consolidated 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 Group in accordance with the contract and all the cash flows that the Group 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 Group 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 Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

3 Material Accounting policies *(continued)*

Derivative financial instruments *(continued)*

Dividend distribution

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

Dividend income

Dividend income is recognised when the Group'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 consolidated financial statements, UAE Dirhams (AED) is the functional and the presentation currency of the Group. 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 consolidated statement of profit or loss in the period in which they arise.

IFRS 17 Insurance Contracts

The Group has initially adopted IFRS 17, from 1 January 2023. This Standard has brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts for the year ended 31 December 2022. .

IFRS 17, 'Insurance Contracts' is applicable for annual reporting periods commencing on 1 January 2023. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the consolidated financial statements to assess the impact of these contracts on the consolidated financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

Insurance and reinsurance contracts

Definition and classification

The Group issues contracts that transfer either insurance risk or both insurance and financial risks. The Group does not issue contracts that transfer only financial risks.

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Insurance contracts are contracts under which the Group accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights, and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Group uses judgement to assess whether a contract transfers insurance risk (that is, if there is a scenario with commercial substance in which the Group has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss. All references to insurance contracts in the condensed interim financial information apply to insurance contracts issued or acquired and reinsurance contracts held unless specifically stated otherwise.

The Group does not write any investment contracts with discretionary participation features or insurance contracts with direct participation features.

Changes to classification and measurement

For the Group, IFRS 17 has not resulted in a material change in the classification of insurance contracts relative to IFRS 4.

Previously, the Group measured contracts at the line of business level under IFRS 4. IFRS 17 has introduced a new unit of accounts at which insurance and reinsurance contracts are measured. Contracts are grouped into a unit of account based on the portfolio, cohort, and profitability group to which the contract belongs.

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

For presentation in the consolidated 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 consolidated financial statements. Balance sheet items related to insurance and reinsurance contracts were previously split into the following line items:

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

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

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Under IFRS 17, the Group aggregates 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; and
- Portfolios of reinsurance contracts held that are liabilities.

Measurement approach

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

Contracts written by the Group that have a coverage period of one year or less are automatically eligible for the PAA. The Group does write some contracts that have a coverage period exceeding one year and which are not automatically eligible. These are the Property, Casualty and Engineering portfolios. For all the groups of contracts within the portfolio, the LRC measured under the PAA and the general measurement model (GMM) were projected over the lifetime of the contracts, considering different reasonable scenarios, to determine if the differences were significant. The Group has found that for all these contracts, the PAA provided a reasonable approximation of the GMM and were thus eligible for measurement under the PAA.

As the PAA is an optional simplified approach for the measurement of the LRC, an entity may choose to use the PAA when the measurement is not materially different from that under the GMM or if the coverage period of each contract in the group of insurance contracts is one year or less.

The Group applies the PAA 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 Group performed PAA eligibility assessment for the groups of contracts where the coverage period is more than 12 months. Based on the assessment performed, the Group expects all of its contracts to be eligible for PAA measurement model.

Under the PAA, LRC 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. The Group 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.

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 the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise.

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. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arise from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Onerosity determination (define 'facts and circumstances')

Under the PAA, the Group shall assume no contracts in the portfolio are onerous at initial recognition unless "facts and circumstances" indicate otherwise. The Group 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

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

shall be repeated if 'facts and circumstances' indicate that there are significant changes in product pricing, product design, plans and forecasts.

The Group 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 actuaries provide a series of estimates for the historical combined ratio which is 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 Group will not reassess the composition of the groups subsequently.

Insurance revenue and insurance service expenses

As the Group provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Group expects to be entitled to in exchange for those services.

For insurance contracts measured under the PAA, expected premium receipts are allocated to insurance revenue based on the passage of time over the coverage period of a group of contracts with the exception of Engineering (all risk) and Construction (all risk) contracts where revenue is recognised using an increasing risk pattern and Marine Cargo where it is assumed that 25% of premium is unearned at the valuation date. IFRS 17 requires losses to be recognised immediately on contracts that are expected to be onerous.

Insurance service expenses include incurred claims and benefits, other incurred directly attributable expenses, insurance acquisition cash flows amortisation, changes that relate to past service i.e., changes in the fulfilment cash flows ("FCF") relating to the liability for incurred claims ("LIC"), changes that relate to future service (i.e., changes in the FCF that result in onerous contract losses or reversals of those losses) and insurance acquisition cash flows assets impairment.

Accounting policy choices

The following table sets out the accounting policy choices that the Group adopted:

Particulars	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	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 Group amortised the insurance acquisition cash flows for all contracts. The Group allocates 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	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 Group has not accounted for an allowance for time value of money on the LRC for groups of contracts, since the contracts do not contain a significant financing component.

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Accounting policy choices *(continued)*

Particulars	IFRS 17 options	Adopted approach
Liability for Incurred Claims ("LIC") adjusted for time value of money	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.	The Group has decided to adjust LIC cash flows for the time value of money, as claims are not expected to be paid within 12 months from the date of loss.
Insurance finance income and expenses	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 Group has included changes in discount rates and other financial changes in profit or loss.
Disaggregation of risk adjustment	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 Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and has included the entire change within the insurance service result.
Presentation of income / (expense) from reinsurance contracts held	IFRS 17 allows options in presenting income or expenses from reinsurance contracts held, other than insurance finance income or expenses on a net basis. An alternative would be to gross up this single amount and present separately the amounts recovered from the reinsurer (as income) and an allocation of the premiums paid (as reinsurance expenses) in line items separate from insurance revenue and insurance service expenses.	The Group elected to present it separately on a gross basis as amounts recoverable from reinsurers for incurred claims and allocation of reinsurance premiums' in the insurance service result.
Length of cohorts contracts held	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 Group has decided the length of cohort to be on an annual basis.

The GMM has not been applied by the Group, as the contracts written / held are either auto PAA eligible or have passed the PAA eligibility test carried out by the Group.

Variable fee approach is also not being applied as the Group does not issue any products having Direct participating features (DPF).

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Areas of significant judgements

The following are key judgements and estimates which the Group applied as a result of IFRS 17. The Group has elected to determine cumulative results for each interim reporting period, and estimates made by the Group in previous condensed consolidated interim financial statements will not be considered when applying IFRS 17 in subsequent interim periods or in the annual consolidated financial statements.

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 Group fulfils its obligations with respect to the insurance contracts. The BEL thus includes the effects of discounting, allowing for financial risks (to the extent not included in the estimate of the cash flows).

The Group 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; and
- Expected claims payment pattern.

For the measurement of the liability for incurred claims (LIC), the Group 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 Group will use the expected loss ratio method given the small size of this portfolio.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Discount rate

Discount rates are primarily used to adjust the estimates of future cash flows to reflect the time value of money and to accrete interest on the best estimate liability, risk adjustment and contractual service margin. After estimating the future cash flows arising from the insurance contracts, discounting shall be used to calculate the present value of these cash flows, in order to reflect the time value of money and the financial risks associated with these cash flows. This is done to the extent that the financial risks are not already included in the cash flow estimates.

The discount rates applied to the estimates of the future cash flows in discounting shall:

a) Reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
b) Be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
c) Exclude the effect of factors that influence observable market prices but do not affect the future cash flows of the insurance contracts.

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Areas of significant judgements *(continued)*

Discount rate (continued)

The bottom-up approach was used to derive the discount rate for all contracts within the scope of IFRS 17. Under the bottom-up approach, the discount rate is determined as the risk-free yield. In order to eliminate the need for an explicit assumption regarding the illiquidity premium, Volatility Adjusted European Insurance and Occupational Pensions Authority (EIOPA) published risk-free rates were utilised. A country risk premium was incorporated to adjust the rates and derive UAE-specific risk-free rates.
The yield curves that were used to discount the estimates of future cash flows are as follows:

Financial Year	**1 Year**	**3 Year**	**5 Year**	**10 Year**	**20 Year**
31-Dec-23	5.95%	4.91%	4.69%	4.64%	4.65%
31-Dec-22	6.08%	5.27%	4.96%	4.76%	4.64%

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 Group requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Group fulfils insurance contracts.

The Group has estimated the risk adjustment using a confidence level approach for liabilities for incurred claims. Applying a confidence level technique, the Group 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. The Group 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 onerous.

Contract boundaries

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

A substantive obligation to provide services ends when:

a) the Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or

b) both of the following criteria are satisfied:
- the Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio; and
- the pricing of the premiums for coverage up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

The contract boundary is reassessed at each reporting date and, therefore, may change over time. Judgement might be required to assess the Group's practical ability to reprice the entire contract to determine if related cash flows are within the contract boundary.

Modification and derecognition

An insurance contract may be modified, either by agreement between the parties or as result of regulation. If the terms are modified, an entity must derecognise the original insurance contract and recognise the modified contract as a new contract, if and only if certain conditions as prescribed in IFRS 17 are satisfied.

3 Material Accounting policies *(continued)*

Insurance and reinsurance contracts *(continued)*

Areas of significant judgements *(continued)*

The exercise of a right included in the terms of a contract is not a modification. Any contract modification that changes the accounting model or the applicable standard for measuring the components of the insurance contract, is likely to result in derecognition.

If a contract modification meets none of the conditions for derecognition, any changes in cash flows caused by the modification are treated as changes in the estimates of the fulfilment cash flows. For contracts applying the premium allocation approach, any adjustments to premium receipts or insurance acquisition cash flows arising from a modification adjust the liability for remaining coverage and insurance revenue is allocated to the period for services provided (which would also require judgement in determining the period to which the modification applies).

Measurement of expenses

The Group has defined acquisition expenses as the costs of selling, underwriting and started issuing a group of insurance contracts as per IFRS 17 requirements. The Group 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.

Under IFRS 17, attributable costs refer to costs that are either fully or partially related to insurance operations. These costs are allocated to the group of insurance contracts level, while non-allocable expenses are recognised directly in the profit and loss account.

The allocation of expenses must be done in a systematic and rational manner that reflects the transfer of services provided by the insurer over the coverage period. All general and management expenses incurred by the Group in a particular year will be allocated to groups of contract cohorts of the same year, based on a systematic and rational basis.

Both acquisition and attributable costs fall under the insurance service expense. While the non-attributable costs are reported under other operating expenses.

Transition from IFRS 4 to IFRS 17

The Group has applied a full retrospective approach in applying IFRS 17 which resulted in a decrease in opening retained earnings as at 1 January 2022 amounting to AED 9,350 thousand arising from actuarial risk adjustment, discounting and loss component adjustment. Also, the profit for the year ended 31 December 2022 decreased by AED 6,580 thousand, due to actuarial risk adjustment, loss component and discounting adjustments. The relevant insurance liabilities and assets accounted for under IFRS 4 have been reclassified to insurance contract liabilities as a single line item. The relevant reinsurance liabilities and assets accounted for under IFRS 4 have been reclassified to reinsurance contract liabilities / assets as a single line item.

4 New and amended standard and interpretations

New currently effective requirements

IFRS 17 Insurance Contracts

The Group has initially applied IFRS 17 Insurance Contracts (IFRS 17), which replaces IFRS 4 Insurance Contracts (IFRS 4), including any consequential amendments to other standards, from 1 January 2023. These standards have brought significant changes to the accounting for insurance and reinsurance contracts and financial instruments. As a result, the Group has restated certain comparative amounts for the prior year.

4 New and amended standard and interpretations *(continued)*

New currently effective requirements *(continued)*

IFRS 17 Insurance Contracts*(continued)*

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. The application of the principles set out under IFRS 17 is covered in note 3.

Other new standards or amendments

The following are other new standards or amendments which do not have a significant impact on the Group's consolidated financial statements, when effective:

Other new standards or amendments	***Effective date***
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
Amendments to IAS 12 - International Tax Reform – Pillar Two Models Rules	23 May 2023

Forthcoming requirements

A number of new standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these consolidated financial statements

New standards or amendments	***Effective date***
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1 – Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16 – Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 16 – Supplier Finance Agreement	1 January 2024
Amendments to IAS 21 – Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28 – Sale or Construction of Assets between an Investor and its Associate or Joint Venture	N/A*

*Available for optional adoption / effective date deferred indefinitely

5 Cash and cash equivalents

	31 December 2023	31 December 2022
	AED'000	AED'000
Bank balances and cash	**58,234**	78,142
Statutory deposit	**6,000**	6,000
Term deposits	**59,343**	10,151
Total bank balances, deposits and cash	**123,577**	94,293
Less: deposits with original maturity of three months or more	**(33,713)**	(10,151)
Less: restricted cash pledged against borrowings	**-**	(6,494)
Less: statutory deposits	**(6,000)**	(6,000)
Cash and cash equivalents for the purpose of the consolidated statement of cash flows	**83,864**	71,648

5 Cash and cash equivalents *(continued)*

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

	31 December 2023 AED'000	31 December 2022 AED'000
Within UAE	**59,343**	10,151

Deposits are held with financial institutions in UAE, with an original maturity period of one to twelve months from the date of placement. Interest is receivable at annual rates ranging from 3.25% to 6.10% per annum *(31 December 2022: 2.45% to 4.25% per annum)*.

In accordance with the requirements of UAE Federal Law No. (48) of 2023, the Group maintains a bank deposit of AED 6,000 thousand *(31 December 2022: 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.

6 Financial assets at fair value through other comprehensive income

	31 December 2023 AED'000	31 December 2022 AED'000
Quoted securities	**361,474**	427,774
Unquoted securities	**708**	725
	362,182	428,499

Certain securities are registered in the name of a director for the beneficial interest of the Group. The fair value of these securities as at 31 December 2023 was AED Nil *(31 December 2022: AED Nil)*.

The movement in the financial assets at fair value through other comprehensive income (FVOCI) is as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
At beginning of the year	**428,499**	366,279
Additions	**4,404**	111,845
Disposals	**(199,808)**	(62,165)
Change in fair value	**129,087**	12,540
Balance at end of the year	**362,182**	428,499

The geographical distribution of financial assets at FVOCI is as follows:

Within UAE	**361,971**	428,352
Outside UAE	**211**	147
	362,182	428,499

7 Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of quoted equity investments in local securities. The movement in financial assets at fair value through profit or loss is as follows:

	31 December 2023 AED'000	31 December 2022 AED'000
At beginning of the year	**389,584**	603,751
Additions	**84,623**	179,893
Disposals	**(71,814)**	(346,672)
Change in fair value *(note 21)*	**146,548**	(47,388)
Balance at end of the year	**548,941**	389,584

8 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 2022: 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 98 thousand for the year ended 31 December 2023 *(31 December 2022: accrued profit of AED 301 thousand)*.

9 Prepayments and other receivables

	31 December 2023 AED'000	31 December 2022 AED'000
Prepayments	**2,443**	3,902
Accrued income	**875**	326
Other receivables	**2,361**	5,475
	5,679	**9,703**

10 Investment property under development

	31 December 2023 AED'000	31 December 2022 AED'000
At 1 January	**7,719**	252
Impairment	-	-
Additions during the year	**32,559**	7,467
At 31 December	**40,278**	7,719

11 Investment properties

	Land AED'000	Buildings AED'000	Total AED'000
31 December 2023			
At 1 January 2023	**70,538**	**237,569**	**308,107**
Additions	**-**	**14,064**	**14,064**
Changes in fair value	**10,814***	**47,926**	**58,740**
	81,352	**299,559**	**380,911**
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

*This represents the change in fair value for the property under development as disclosed in note 10.

Investment properties include:

a) 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 140,930 thousand (31 December 2022: AED 132,000 thousand).

b) 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 72,360 thousand (31 December 2022: AED 45,550 thousand).

c) 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 2022: AED 1,505 thousand).

d) 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 81,352 thousand (31 December 2021: AED 70,538 thousand).

e) 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 49,671 thousand (31 December 2022: AED 44,254 thousand).

f) Marina Sunset Bay Villa

The Group has acquired a Villa Located in Marina Sunset Bay in Abu Dhabi which is available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 17,893 thousand (31 December 2022: AED 14,400 thousand).

g) Two Tower flats, Dubai

The Group has acquired 12 residential apartments situated within Tecom Two Towers, Barsha Heights (Tecom), Dubai, 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 17,200 thousand (31 December 2022: AED nil).

11 Investment properties *(continued)*

The property rental income earned by the Group 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:

	2023 AED'000	2022 AED'000
Rental income	**10,476**	10,012
Direct operating expenses	**(4,948)**	(5,027)
Income from investment properties (rental income), *net*	**5,528**	4,985

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 categorized as a Level 3 fair value based on the inputs to the valuation technique used.

The fair value of investment properties is determined using the market-based approach, discounted cash flow model and income capitalization method. Market-based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

12 Investment in associates

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

Name of the associate	**Principal activities**	**Place of incorporation**	**2023 Ownership interest %**	2022 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:

	2023 AED'000	2022 AED'000
At 1 January	**142,199**	145,866
Share of profit for the year	**1,991**	18,224
Share of other comprehensive income / (loss) of associates	**1,318**	(211)
Less: associate classified as held for sale	**-**	(21,481)
Less: cash dividend received	**(503)**	(199)
At 31 December	**145,005**	142,199

12 Investment in associates *(continued)*

	Hily Holding PJSC AED'000	UR International Insurance AED'000	Total AED'000
31 December 2023			
Total assets	**1,120,057**	**28,891**	**1,148,948**
Total liabilities	**(515,417)**	**(11,316)**	**(526,733)**
Net assets	**604,640**	**17,575**	**622,215**
Group's share of associates' net assets	**137,975**	**7,030**	**145,005**
Total revenue	**46,298**	**9,330**	**55,628**
Profit for the year	**6,136**	**1,477**	**7,613**
Group's share of associates' profit for the year	**1,400**	**591**	**1,991**

	Hily Holding PJSC 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
Group'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
Group's share of associates' profit for the year	17,549	675	18,224

13 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 2022	4741	6606	803	7,944	20,094
Additions	-	118	90	1,151	1,359
Disposals	-	-	(35)	-	(35)
Write off	-	(3,177)	(65)	(4,676)	(7,918)
At 31 December 2022	4,741	3,547	793	4,419	13,500
At 1 January 2023	**4,741**	**3,547**	**793**	**4,419**	**13,500**
Additions	**-**	**100**	**1242**	**258**	**1,600**
Disposals	**-**	**-**	**(108)**	**-**	**(108)**
At 31 December 2023	4,741	3,647	1,927	4,677	14,992
Accumulated depreciation:					
1 January 2022	3,476	5,775	603	6,187	16,041
Charge for the year	316	411	190	912	1829
Disposals	-	-	(26)	-	(26)
Write off	-	(3,177)	(64)	(4,676)	(7,917)
At 31 December 2022	3792	3,009	703	2,423	9,927
At 1 January 2023	**3,792**	**3,009**	**703**	**2,423**	**9,927**
Charge for the year	**316**	**301**	**131**	**1,031**	**1,779**
Disposals	**-**	**-**	**(108)**	**-**	**(108)**
At 31 December 2023	4,108	3,310	726	3,454	11,598
Net carrying amount					
At 31 December 2022	949	538	90	1,996	3,573
At 31 December 2023	**633**	**337**	**1,201**	**1,223**	**3,394**

14 Reserves

Legal reserve

In accordance with the Federal Law No. 32 of 2021 Concerning the Commercial Companies and the Group'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 Group's paid up share capital. Since the legal reserve of the Group 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 Group'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 Group's paid-up share capital. This reserve is not available for distribution. The Group 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 2022: 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).*

14 Reserves *(continued)*

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 Group. No payment was made to these shareholders during the year *(31 December 2022: AED 485)*.

Fair value reserve

The fair value reserve comprises of the cumulative net change in the fair value of equity securities designated at FVOCI and the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognized or reclassified. This amount is adjusted by the amount of loss allowance.

15 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 consolidated 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 Group deals to pay what is due to the Group 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 1,991 thousand *(31 December 2022: AED 1,256 thousand)* has been recorded in equity as a reinsurance risk reserve as at 31 December.

16 Share capital

	31 December 2023	31 December 2022
	AED'000	AED'000
Authorised, issued and fully paid		
207,000,000 *(31 December 2022: 207,000,000)* ordinary shares of AED 1 each	**207,000**	207,000

At the Annual General Meeting held on 27 April 2023, the shareholders approved the distribution of cash dividend of AED 0.20 amounting to AED 41,400 thousand (31 December 2022: Annual General Meeting held on 25 April 2022, the shareholders approved the distribution of cash dividend of AED 41,400 thousand).

17 Borrowings

	31 December 2023	31 December 2022
	AED'000	AED'000
Term loan 1	**88,541**	88,895
Term loan 2	**-**	120,048
	88,541	208,943

The movement in the borrowing facilities of the Group is as follows:

	31 December 2023	31 December 2022
Term loan facilities	**AED'000**	AED'000
Opening balance	**208,943**	352,481
Add: Received during the year	**12,386**	-
Add: finance cost incurred during the year	**9,679**	11,466
Repayments made during the year	**(142,467)**	(155,004)
Balance as at	**88,541**	208,943

17 Borrowings *(continued)*

Term loan 1

During the year 2022 the Group obtained a bank facility amounting to AED 100,000 thousand from an international commercial bank to refinance customer indebtedness with local bank. The loan carries interest rate of 3-month EIBOR plus margin and charged quarterly. The amount of the loan is repayable in twenty-four quarterly principal instalments commencing from 12 April 2023 till 12 April 2029. The loan is secured against investment properties comprising head office building and five villas. As at 31 December 2023, the outstanding loan balance was AED 88,541 thousand *(31 December 2022: AED 81,129 thousand)*.

Term loan 2

During 2020, the Group 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 reporting period the Group repaid the loan of AED 120,048 thousand. As at reporting date, the outstanding loan balance including finance cost was AED Nil *(31 December 2022: AED 120,048 thousand).*

18 Employees' end of service benefits

	31 December 2023 AED'000	31 December 2022 AED'000
Balance at 1 January	**5,695**	5,746
Charge for the year	**945**	815
Paid during the year	**(1,169)**	(866)
	5,471	5,695

19 Other payables

	31 December 2023 AED'000	31 December 2022 AED'000
Accrued expenses	**29,769**	21,009
Board remuneration	**4,500**	2,700
Other payable	**5,279**	11,541
	39,548	35,250

20 Related parties

Identity of related parties

Related parties comprise major shareholders, associated companies, directors and key management personnel of the Group and entities controlled, jointly controlled or significantly influenced by such parties. The Group maintains significant balances with these related parties which arise from commercial transactions in the ordinary course of business at commercial rates.

Balances with related parties included in the consolidated statement of financial position are as follows:

	As at 31 December 2023 (AED'000)		
	Directors & Key management	**Others**	**Total**
Net insurance contract balances	**13,437**	**60**	**13,497**
Prepaid Expenses	**402**	**-**	**402**

20 Related parties *(continued)*

	As at 31 December 2022 (AED'000)		
	Directors & Key management	Others	Total
Net insurance contract balances	7,092	-	7,092
Prepaid Expenses	383	-	383

Others related parties balance are receivables from associates of the Group of AED 60 thousand for the year ended 31 December 2023 *(31 December 2022: Nil)*.

Transactions with related parties included in the consolidated statement of financial position are as follows:

	As at 31 December 2023 (AED'000)		
	Directors & Key management	**Others**	**Total**
Insurance revenue	45,893	215	**46,108**
Insurance service expense	23,644	-	**23,644**
Rental expenses	459	-	**459**
Other expenses (i)	33,754	-	**33,754**
Salaries & benefits	4,291	-	**4,291**
End of service benefits	198	-	**198**
Board of directors' remuneration	4,500	-	**4500**

(i) Included in the bonus for current year is an amount of AED 30,000 thousand for a member of board of directors of the Group which pertains to the result of the year 31 December 2023 which was approved by nomination and remuneration committee on 27 December 2023 and this has been disclosed as part of other investment expenses as per note 21 in the consolidated financial statements.

	As at 31 December 2022 (AED'000))		
	Directors & Key management	Others	Total
Insurance revenue	33,091	161	33,252
Insurance service expense	14,231	18	14,249
Rental expenses	459	-	459
Salaries & benefits	3,928	-	3,928
End of service benefits	185	-	185
Board of directors' remuneration	2,700	-	2,700

21 Investment income, *net*

	31 December 2023 AED'000	31 December 2022 AED'000
Changes in fair value of investment properties (*note 11*)	**58,740**	35,451
Gain on disposal of financial assets at fair value through profit or loss, *net*	**32,177**	29,144
Changes in fair value of financial assets carried at fair value through profit or loss (*note 7*)	**146,548**	(47,388)
Impairment loss on asset classified as held for sale	**-**	(1,548)
Interest income	**1,464**	303
Dividend income	**30,299**	35,927
Other investment expenses	**(47,678)**	(4,664)
	221,550	47,225

22 Other operating expenses

For the year ended 31 December 2023	**Expenses attributable to insurance acquisition cash flow**	**Other directly attributable expenses**	**Other operating expenses**
Commission expenses	34,120	5,725	-
Staff cost	-	28,859	3,208
Depreciation	-	1,601	178
Fees and licenses	-	2,471	921
Maintenance expenses	-	2,766	280
Other expenses	-	6,853	1,076
Rent expenses	-	1,481	-
	34,120	**49,756**	**5,663**

For the year ended 31 December 2022	Expenses attributable to insurance acquisition cash flow	Other directly attributable expenses	Other operating expenses
Commission expenses	43,864	6,993	-
Staff cost	-	28,055	2,519
Depreciation	-	1,646	183
Fees and licenses	-	2,563	348
Maintenance expenses	-	2,061	1,291
Other expenses	-	6,547	979
Rent expenses	-	1,356	42
	43,864	49,221	5,362

23 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:

	2023 **AED'000**	2022 AED'000
Profit for the period (AED'000)	**177,089**	31,392
Ordinary shares outstanding during the period (shares in 000)	**207,000**	207,000
Earnings per share (AED)	**0.86**	0.15

There is no dilution effect to the basic earnings per share.

24 Insurance and reinsurance contract assets and liabilities

24.1 Insurance contracts issued

	As at 31 December 2023				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component AED'000	Loss component - onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Insurance contract liabilities - opening	61,886	15,931	221,461	10,773	310,051
Insurance contract assets - opening	-	-	-	-	-
Net opening balance	61,886	15,931	221,461	10,773	310,051
Insurance revenue	(284,649)	-	-	-	(284,649)
Insurance service expense					
Incurred claims and other directly attributable expenses	-	(27,508)	152,587	4,623	129,702
Insurance acquisition cashflow amortisation	38,716	-	-	-	38,716
Losses on onerous contracts	-	26,741	-	-	26,741
Reversal of losses on onerous contracts	-	(2,611)	-	-	(2,611)
Changes that relate to past service - adjustment to the LIC	-	-	70,957	(5,037)	65,920
Total insurance service expenses	38,716	(3,378)	223,544	(414)	258,468
Insurance service result	(245,933)	(3,378)	223,544	(414)	(26,181)
Finance income from insurance contracts issued	-	-	1,627	-	1,627
Total changes in the consolidated statement of comprehensive income	(245,933)	(3,378)	225,171	(414)	(24,554)
Cash flows					
Premiums received	303,204	-	-	-	303,204
Claims and other directly attributable expenses paid	-	-	(230,739)	-	(230,739)
Insurance acquisition cashflows paid	(37,331)	-	-	-	(37,331)
Total cash inflows / (outflows)	265,873	-	(230,739)	-	35,134
Insurance contract liabilities - closing	81,826	12,553	215,893	10,359	320,631
Insurance contract assets - closing	-	-	-	-	-
Closing balance - *net*	81,826	12,553	215,893	10,359	320,631

24 Insurance and reinsurance contract assets and liabilities *(continued)*

24.1 Insurance contracts issued *(continued)*

	As at 31 December 2022 (Restated)				
	Liability for remaining coverage (LRC)		Liability for incurred claims (LIC)		
	Excluding loss component AED'000	Loss component - onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Insurance contract liabilities - opening	82,550	5,209	253,223	16,802	357,784
Insurance contract assets - opening	-	-	-	-	-
Net opening balance	82,550	5,209	253,223	16,802	357,784
Insurance revenue	(303,341)	-	-	-	(303,341)
Insurance service expenses	-	-	-	-	-
Incurred claims and other directly attributable expenses	-	(17,017)	255,380	5,227	243,590
Insurance acquisition cashflow amortisation	52,856	-	-	-	52,856
Losses on onerous contracts	-	30,830	-	-	30,830
Reversal of losses on onerous contracts	-	(3,091)	-	-	(3,091)
Changes that relate to past service - adjustment to the LIC	-	-	(27,422)	(11,256)	(38,678)
Total insurance service expenses	52,856	10,722	227,958	(6,029)	285,507
Insurance service results	(250,485)	10,722	227,958	(6,029)	(17,834)
Finance income from insurance contracts issued	-	-	(3,604)	-	(3,604)
Total changes in the consolidated statement of comprehensive income	(250,485)	10,722	224,354	(6,029)	(21,438)
Cash flows					
Premiums received	268,540	-	-	-	268,540
Claims and other directly attributable expenses paid	-	-	(256,116)	-	(256,116)
Insurance acquisition cashflows paid	(38,719)	-	-	-	(38,719)
Total cash inflows / (outflows)	229,821	-	(256,116)	-	(26,295)
Insurance contract liabilities - closing	61,886	15,931	221,461	10,773	310,051
Insurance contract assets - closing	-	-	-	-	-
Closing balance - net	61,886	15,931	221,461	10,773	310,051

24 Insurance and reinsurance contract assets and liabilities *(continued)*

24.2 Reinsurance contracts held

	As at 31 December 2023				
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		
	Excluding loss component AED'000	Loss component - onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Reinsurance contract liabilities - opening	41,593	-	-	-	41,593
Reinsurance contract assets - opening	-	-	(151,147)	(8,472)	(159,619)
Net opening balance	41,593	-	(151,147)	(8,472)	(118,026)
Allocation of reinsurance premiums paid	108,907	-	-	-	108,907
Amount recoverable from reinsurers					
Incurred claims and other directly attributable expenses	-	-	(64,994)	(3,277)	(68,271)
Changes that relate to past service - adjustment to the AIC	-	-	13,384	4,574	17,958
Effect of changes in the risk of reinsurers non-performance	-	-	731	-	731
Total amount recoverable from reinsurers - *net*	-	-	(50,879)	1,297	(49,582)
Finance expense from reinsurance contracts held	-	-	(2,475)	-	(2,475)
Total changes in the consolidated statement of comprehensive income	108,907	-	(53,354)	1,297	56,850
Cash flows					
Premiums ceded paid	(115,058)	-	-	-	(115,058)
Recoveries from reinsurers	-	-	75,791	-	75,791
Total cash inflows / (outflows)	(115,058)	-	75,791	-	(39,267)
Reinsurance contract liabilities - closing	35,442	-	-	-	35,442
Reinsurance contract assets - closing	-	-	(128,710)	(7,175)	(135,885)
Closing balance - net	35,442	-	(128,710)	(7,175)	(100,443)

24 Insurance and reinsurance contract assets and liabilities *(continued)*

24.2 Reinsurance contracts held *(continued)*

	As at 31 December 2022 (Restated)				
	Asset for remaining coverage (ARC)		Asset for incurred claims (AIC)		
	Excluding loss component AED'000	Loss component – onerous contracts AED'000	Estimates of present value of future cashflows AED'000	Risk adjustment for non-financial risk AED'000	Total AED'000
Reinsurance contract liabilities – opening	17,507	-	-	-	17,507
Reinsurance contract assets – opening	-	-	(140,087)	(8,986)	(149,073)
Net opening balance	17,507	-	(140,087)	(8,986)	(131,566)
Allocation of reinsurance premiums paid	106,291	-	-	-	106,291
Amount recoverable from reinsurers					
Incurred claims and other directly attributable expenses	-	-	(74,285)	(4,090)	(78,375)
Changes that relate to past service – adjustment to the LIC	-	-	6,818	4,604	11,422
Total amount recoverable from reinsurers – net	-	-	(67,467)	514	(66,953)
Finance income from reinsurance contracts held	-	-	2,531	-	2,531
Total changes in the consolidated statement of comprehensive income	106,291	-	(64,936)	514	41,869
Cash flows					
Premiums ceded paid	(82,205)	-	-	-	(82,205)
Recoveries from reinsurers	-	-	53,876	-	53,876
Total cash inflows / (outflows)	(82,205)	-	53,876	-	(28,329)
Reinsurance contract liabilities – closing	41,593	-	-	-	41,593
Reinsurance contract assets – closing	-	-	(151,147)	(8,472)	(159,619)
Closing balance – net	41,593	-	(151,147)	(8,472)	(118,026)

25 Risk and capital management

Governance framework

The primary objective of the Group's risk and financial management framework is to protect the Group'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 Group.

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 consolidated 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.

Capital management objectives, policies and approach.

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

Approach to capital management

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

The Group'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 Group in light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Group is equity funds provided by shareholders and borrowings from commercial banks. The Group 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 2023 and 31 December 2022. Equity comprises share capital, legal reserve, statutory reserve, general reserve, capital reserve, investment revaluation reserve and retained earnings, reinsurance risk reserve and is measured at AED 1,270,317 thousand as at 31 December 2023 (31 December 2022: AED 975,999 thousand).

25 Risk and capital management *(continued)*

The Group is subject to local insurance solvency regulations. The Group 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.

As per the Federal Law No. (48) of 2023 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 Group and the total capital held by the Group:

	2023	2022
	AED'000	AED'000
Total capital held by the Group	**207,000**	207,000
Minimum regulatory capital	**100,000**	100,000

26 Insurance and financial risk

Regulatory framework

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

The operations of the Group 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 Group's assets that meet the accrued insurance liabilities
5. Records which the Group 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 Group, 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 consolidated financial statements.

26 Insurance and financial risk *(continued)*

Regulatory framework *(continued)*

Insurance risk

The principal risk the Group 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 Group is to ensure that sufficient reserves are available to cover these liabilities.

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 Group from its obligations to policyholders. The Group 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 Group 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 Group underwrites mainly fire and general accident, motor, 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 Group 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 Group 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 car.

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 Group underwrites medical policies exclusively for their employees. During the year only one medical policy was written *(31 December 2022: one policy),* relating to the Group’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 Group has obtained necessary reinsurance covers to limit losses from individual claims

26 Insurance and financial risk *(continued)*

Regulatory framework (continued)

Concentration of insurance risk

The Group 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 Group to multiple insurance risks. The Group has adequately reinsured for insurance risks that might involve significant litigation. The segmental concentration of insurance risk is set out below.

Sum insured	**2023**	2022
	AED'000	AED'000
Gross		
Motor	**6,095,170**	6,366,907
Technical	**161,944,025**	145,071,728
	168,039,195	151,438,635
Net		
Motor	**4,340,764**	4,689,277
Technical	**32,050,168**	26,172,268
	36,390,932	30,861,545

The contribution by the insurance operations in the profit of the Group amounts to AED (33,144) thousand loss for the year ended 31 December 2023 *(31 December 2022: AED 21,504 thousand loss)*. The Group does not foresee any major impact from insurance operations due to the following reasons:

The Group has an overall risk retention level of 46% *(31 December 2022: 50%)* and the same is evenly contributed across the portfolio . However, motor and technical lines of business' liabilities are adequately covered by excess of loss reinsurance programs to guard against major financial impact.

49% of the Group's volume of business *(31 December 2022: 42%)* has low risk retention. The Group has limited exposure in high retention areas like Motor, and the poor performance of the motor portfolio led to an overall loss ratio 91% *(31 December 2022: 69%)*; however, the Group 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 Group, 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 Group 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.

26 Insurance and financial risk *(continued)*

Regulatory framework (continued)

Claims development process

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The entity has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Accident year	Before 2021 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
Non-Motor gross:					
At the end of each reporting year					
2021		**43,538**			**43,538**
2022		**36,274**	**74,194**		**110,468**
2023		**33,845**	**59,506**	**58,491**	**151,842**
Gross estimates of the undiscounted amount of the claims		**33,845**	**59,506**	**58,491**	**151,842**
Cumulative payments to date		**19,674**	**32,877**	**7,797**	**60,348**
Gross undiscounted liabilities for incurred claims	**28,183**	**14,171**	**26,629**	**50,694**	**119,677**
Effect of discounting					**(6,566)**
Effect of risk adjustment for non-financial risk					**7,010**
Others*					**13,307**
Total gross liabilities for incurred claims					**133,428**

* Others includes Gross Unallocated loss adjustment expenses reserve and Insurance claims payable

Accident year	Before 2021 AED'000	2021 AED'000	2022 AED'000	2023 AED'000	Total AED'000
Motor gross:					
At the end of each reporting year					
2021		**134,451**			**134,451**
2022		**136,326**	**141,600**		**277,926**
2023		**143,490**	**149,056**	**144,610**	**437,156**
Gross estimates of the undiscounted amount of the claims		**143,490**	**149,056**	**144,610**	**437,156**
Cumulative payments to date		**135,827**	**139,856**	**101,099**	**376,782**
Gross undiscounted liabilities for incurred claims	**16,651**	**7,663**	**9,200**	**43,511**	**77,025**
Effect of discounting					**(6,376)**
Effect of risk adjustment for non-financial risk					**3,349**
Others*					**18,826**
Total gross liabilities for incurred claims					**92,824**

* Others includes Gross Unallocated loss adjustment expenses reserve and Insurance claims payable

26 Insurance and financial risk *(continued)*

Regulatory framework (continued)

Claims development process

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at each reporting date, together with cumulative payments to date. The entity has not disclosed previously unpublished information about claims development that occurred earlier than five years before the end of the annual reporting period in which it first applies IFRS 17.

Accident year	**Before 2021 AED'000**	**2021 AED'000**	**2022 AED'000**	**2023 AED'000**	**Total AED'000**
Non-Motor net:					
At the end of each reporting year					
2021		**7,517**			**7,517**
2022		**5,237**	**8,056**		**13,293**
2023		**4,950**	**6,853**	**7,490**	**19,293**
Net estimates of the undiscounted amount of the claims		**4,950**	**6,853**	**7,490**	**19,293**
Cumulative payments to date		**2,916**	**3,715**	**595**	**7,226**
Net undiscounted liabilities for incurred claims	**7,990**	**2,034**	**3,138**	**6,895**	**20,057**
Effect of discounting					**(699)**
Effect of risk adjustment for non-financial risk					**732**
Others*					**1,778**
Total net liabilities for incurred claims					**21,868**

* Others includes Net Unallocated loss adjustment expenses reserve, Non-performance risks and Net (re)insurance claims payable.

Accident year	**Before 2021 AED'000**	**2021 AED'000**	**2022 AED'000**	**2023 AED'000**	**Total AED'000**
Motor net:					
At the end of each reporting year					
2021		**129,014**			**129,014**
2022		**129,157**	**124,046**		**253,203**
2023		**135,177**	**128,023**	**109,736**	**372,936**
Net estimates of the undiscounted amount of the claims		**135,177**	**128,023**	**109,736**	**372,936**
Cumulative payments to date		**129,630**	**123,039**	**77,064**	**329,733**
Net undiscounted liabilities for incurred claims	**11,825**	**5,547**	**4,984**	**32,672**	**55,028**
Effect of discounting					**(4,921)**
Effect of risk adjustment for non-financial risk					**2,453**
Others*					**15,939**
Total net liabilities for incurred claims					**68,499**

* Others includes Net Unallocated loss adjustment expenses reserve, Non-performance risks and Net (re)insurance claims payable.

26 Insurance and financial risk *(continued)*

Regulatory framework *(continued)*

Sensitivity analysis for contracts measured under PAA

	Change in Assumption	Impact on net Profit gross of Reinsurance AED'000	Impact on net Profit Net of Reinsurance AED'000	Impact on Equity gross of Reinsurance AED'000	Impact on Equity Net of Reinsurance AED'000
2023					
Liability for Incurred claims	**+10%**	**(21,334)**	**(8,587)**	**(21,334)**	**(8,587)**
Discount Rate	**+1**	**2,504**	**1,120**	**2,504**	**1,120**
Liability for Incurred claims	**-10%**	**21,334**	**(8,587)**	**(21,334)**	**(8,587)**
Discount Rate	**-1%**	**(2,591)**	**(1,162)**	**(2,591)**	**(1,162)**
2022					
Liability for Incurred claims	**+10%**	(22,003)	(7,013)	(22,003)	(7,013)
Discount Rate	**+1%**	1,430	423	1,430	423
Liability for Incurred claims	**-10%**	22,003	7,013	22,003	7,013
Discount Rate	**-1%**	(1,458)	(431)	(1,458)	(431)

Financial risk

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

I. 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 Group attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Maximum Exposure	**2023 AED'000**	2022 AED'000
Financial assets at amortised cost	14,098	14,301
Bank balances, including deposits.	117,577	88,293
Total	**131,675**	102,594

26 Insurance and financial risk *(continued)*

Financial risk *(continued)*

Management of credit risk

There is no significant concentration of credit risk with respect to cash and cash equivalents, as the Group holds cash accounts in a number of financial institutions. The credit risk on deposits with banks with original maturities of more than three months, statutory deposits and bank balances and cash is limited because the counterparties are licensed banks with sound financial positions.

The Group manages credit risk on its cash deposits and investments by ensuring that counter parties have a good credit rating. A total of AED 71,715 thousand (61%) of bank balances are held with banks rated A or higher. However, financial assets held at amortized cost are with reputable financial institutions that lack a specific credit rating.

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

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

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.

II. 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 Group is exposed to market risk with respect to its investment securities. The Group limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Group 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 Group's investment portfolio.

The following table estimates the sensitivity to a possible change in equity markets on the Group'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	**2023** Impact on comprehensive income	2022 Impact on comprehensive income
		AED'000	AED'000
Abu Dhabi Securities Exchange	5%	**41,729**	35,746
Dubai Financial Market	5%	**3,783**	5,116
Other Markets	5%	**9**	5

26 Insurance and financial risk *(continued)*

Financial risk *(continued)*

III. 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 Group 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 Group's profit based on interest bearing financial assets held at 31 December.

	Effect on profit AED'000
31-Dec-23	
100 decrease in basis points	**734**
100 increase in basis points	**-734**
31-Dec-22	
100 decrease in basis points	245
100 increase in basis points	-245

IV. 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 Group does not hedge its foreign currency exposure.

The Group'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 Group is not subject to significant currency risk.

V. Liquidity risk

Liquidity risk is the risk that the Group 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 expected maturity profile of the assets at 31 December 2023 and 2022 is as follows:

	Current AED '000	**Non-current AED '000**	**Total AED '000**
31-Dec-23			
Cash and cash equivalents *(note 5)*	**117,577**	**6,000**	**123,577**
Financial assets at fair value through other comprehensive income *(note 6)*	**-**	**362,182**	**362,182**
Financial assets at fair value through profit or loss *(note 7)*	**548,941**	**-**	**548,941**
Financial assets at amortised cost *(note 8)*	**-**	**14,098**	**14,098**
Prepayments and other receivables *(note 9)*	**5,679**	**-**	**5,679**
Reinsurance contracts assets *(note 24.2)*	**135,885**	**-**	**135,885**
Investment properties *(note 11)*	**-**	**380,911**	**380,911**
Investment property under development *(note 10)*	**-**	**40,278**	**40,278**
Investment in associates *(note 12)*	**-**	**145,005**	**145,005**
Property and equipment *(note 13)*	**-**	**3,394**	**3,394**
	808,082	**951,868**	**1,759,950**

26 Insurance and financial risk *(continued)*

Liquidity risk *(continued)*

	Current	Non-current	Total
	AED '000	AED '000	AED '000
31-Dec-22			
Cash and cash equivalents *(note 5)*	88,293	6,000	94,293
Financial assets at fair value through other comprehensive income *(note 6)*	-	428,499	428,499
Financial assets at fair value through profit or loss *(note 7)*	389,584	-	389,584
Financial assets at amortised cost *(note 8)*	-	14,301	14,301
Prepayments and other receivables (*note 9*)	9,703	-	9,703
Asset held for sale	19,934	-	19,934
Reinsurance contracts assets *(note 24.2)*	159,619	-	159,619
Investment properties *(note 11)*	-	308,107	308,107
Investment property under development (*note 10)*	-	7,719	7,719
Investment in associates (*note 12)*	-	142,199	142,199
Property and equipment (*note 13)*	-	3,573	3,573
	667,133	910,398	1,577,531

Except for employees' end of service benefits of AED 5,471 thousand *(31 December 2022: AED 5,695 thousand)* and borrowings of AED 88,541 thousand (*31 December 2022: AED 208,943 thousand)*, the Group expects its liabilities of AED 395,621 thousand *(31 December 2022: AED 386,894 thousand)* to mature in less than twelve months from the date of the consolidated 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 Group cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes.

Capital risk management.

The Group's objectives when managing capital is to ensure ongoing and future compliance with the insurance capital requirements set by the Federal Law No. (48) of 2023 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 Group is subject to local insurance solvency regulations with which it has complied with during the year. The Group 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. (48) of 2023 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 Group and the total capital held by the Group.

26 Insurance and financial risk *(continued)*

Capital risk management *(continued)*

	(Unaudited) **31-Dec-2023** **AED'000**	*(Unaudited)* 31-Dec-2022 AED'000
Total capital held by the Group	**207,000**	207,000
Minimum regulatory capital for an insurance Group	**100,000**	100,000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**315,384**	261,997
Minimum Guarantee Fund (MGF)	**105,128**	87,332
Own funds		
Basic Own Funds	**760,988**	488,317
MCR Solvency Margin - Surplus	**660,988**	388,317
SCR Solvency Margin - Surplus	**445,604**	226,321
MGF Solvency Margin - Surplus	**655,860**	400,985

27 Fair value of financial instruments and non-financial assets

Financial instruments comprise of financial assets and financial liabilities.

a. Valuation models

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 Group 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.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques 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.

a. Fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses unobservable inputs.

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As at 31 December 2023				
Financial assets at fair value through profit or loss	**546,141**	**2,800**	**-**	**548,941**
Financial assets at fair value through other comprehensive income	**295,443**	**66,031**	**708**	**362,182**
Investment Properties	**-**	**-**	**380,911**	**380,911**
	841,584	**68,831**	**381,619**	**1,292,034**

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
As 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
Investment Properties	-	-	308,107	308,107
	808,079	9,279	308,832	1,126,190

At 31 December 2023, FVOCI listed securities with a carrying amount of AED 61,127 thousand (31 December 2022: AED nil) were transferred from Level 1 to Level 2. This reclassification occurred due to the absence of regular trading in the market for these securities.
The fair value measurement for investment properties has been categorized as a Level 3 fair value based on the inputs to the valuation technique used.

Reconciliation of level 3 fair value measurement

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

	31 **December 2023 AED'000**	31 December 2022 AED'000
Balance as at 1 January	**725**	3,534
Disposal	**(17)**	(4)
Change in fair value	**-**	(2,805)
Balance as at	**708**	725

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Sensitivity analysis for investments under Level 3

For the fair values of equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects.

	Total comprehensive income	
	Increase AED'000	**Decrease** AED'000
Equity securities		
31 December 2023		
Adjusted net asset value (5% movement)	**35**	**(35)**
31 December 2022		
Adjusted net asset value (5% movement)	36	(36)

28 Segment reporting

For management purposes the Group is organised into departments based on the classes of insured risks. The reportable operating segments of the Group are motor, fire and general accident, marine 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 Group's income and profit for the year.

Balances for segment assets and liabilities as follows

	As at 31 December 2023				
	Motor	**Fire and General accident**	**Marine**	**Investments**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Insurance contract assets	**-**	**-**	**-**	**-**	**-**
Reinsurance contract asset	**24,327**	**105,863**	**5,695**	**-**	**135,885**
Segment assets	**-**	**-**	**-**	**1,491,415**	**1,491,415**
Unallocated assets	**-**	**-**	**-**	**-**	**132,650**
Total assets	**24,327**	**105,863**	**5,695**	**1,491,415**	**1,759,950**
Insurance contract liabilities	**171,920**	**136,467**	**12,244**	**-**	**320,631**
Reinsurance contract liabilities	**809**	**31,287**	**3,346**	**-**	**35,442**
Segment liabilities	**-**	**-**	**-**	**88,541**	**88,541**
Unallocated liabilities	**-**	**-**	**-**	**-**	**45,019**
Total liabilities	**172,729**	**167,754**	**15,590**	**88,541**	**489,633**

	As at 31 December 2022 *(Restated)*				
	Motor	Fire and General accident	Marine	Investments	Total
	AED'000	AED'000	AED'000	AED'000	AED'000
Insurance contract assets	-	-	-	-	-
Reinsurance contract asset	16,568	136,304	6,747	-	159,619
Segment assets	-	-	-	1,310,343	1,310,343
Unallocated assets	-	-	-	-	107,569
Total assets	16,568	136,304	6,747	1,310,343	1,577,531
Insurance contract liabilities	141,712	156,210	12,129	-	310,051
Reinsurance contract liabilities	7,569	30,325	3,699	-	41,593
Segment liabilities	-	-	-	208,943	208,943
Unallocated liabilities	-	-	-	-	40,945
Total liabilities	149,281	186,535	15,828	208,943	601,532

28 Segment revenue and results

Balances for insurance and reinsurance revenue and insurance service result - applicable to all measurement models are as follows:

	As at 31 December 2023				
	Motor AED'000	Fire and General accident AED'000	Marine AED'000	Investments AED'000	Total AED'000
Insurance revenue					
Insurance revenue from contracts measured under PAA	**154,018**	**116,601**	**14,030**	**-**	**284,649**
Total insurance revenue	**154,018**	**116,601**	**14,030**	**-**	**284,649**
Insurance service expenses					
Incurred claim and other directly attributable expenses	**(66,826)**	**(56,123)**	**(6,753)**	**-**	**(129,702)**
Changes that relate to past service - adjustments to the LIC	**(102,051)**	**35,238**	**893**	**-**	**(65,920)**
Losses on onerous contracts	**(24,130)**	**-**	**-**	**-**	**(24,130)**
Insurance acquisition cash flows amortisation	**(21,856)**	**(15,027)**	**(1,833)**	**-**	**(38,716)**
Total insurance service expenses	**(214,863)**	**(35,912)**	**(7,693)**	**-**	**(258,468)**
Income from reinsurance contracts held					
Incurred claims recovered	**20,125**	**44,258**	**3,888**	**-**	**68,271**
Changes that relate to past service - adjustments to AIC	**22,682**	**(39,334)**	**(1,306)**	**-**	**(17,958)**
Effect of changes in the risk of reinsurers non-performance	**(23)**	**(682)**	**(26)**	**-**	**(731)**
Reinsurance expenses	**42,784**	**4,242**	**2,556**	**-**	**49,582**
Allocation of reinsurance premiums	**(28,285)**	**(74,086)**	**(6,536)**	**-**	**(108,907)**
Total net income / (expenses) from reinsurance contracts	**14,499**	**(69,844)**	**(3,980)**	**-**	**(59,325)**
Total insurance service results	**(46,346)**	**10,845**	**2,357**	**-**	**(33,144)**
Net insurance finance income	**-**	**-**	**-**	**848**	**848**
Net investment income	**-**	**-**	**-**	**229,069**	**229,069**
Other income	**-**	**-**	**-**	**158**	**158**
Other operating expenses	**-**	**-**	**-**	**(5,663)**	**(5,663)**
Board of directors' remuneration	**-**	**-**	**-**	**(4,500)**	**(4,500)**
Other finance costs	**-**	**-**	**-**	**(9,679)**	**(9,679)**
(Loss) / profit for the year	**(46,346)**	**10,845**	**2,357**	**210,233**	**177,089**

28 Segment revenue and results *(continued)*

Balances for insurance and reinsurance revenue and insurance service result - applicable to all measurement models are as follows:

	As at 31 December 2022 *(Restated)*				
	Motor AED'000	Fire & General accident AED'000	Marine AED'000	Investment AED'000	Total AED'000
Insurance revenue					
Insurance revenue from contracts measured under PAA	183,422	111,137	8,782	-	303,341
	183,422	111,137	8,782	-	303,341
Insurance service expenses					
Incurred claim and other directly attributable expenses	(157,339)	(79,581)	(6,671)	-	(243,591)
Changes that relate to past service - adjustments to the LIC	5,293	35,192	(1,807)	-	38,678
Losses on onerous contracts	(27,739)	-	-	-	(27,739)
Insurance acquisition cash flows amortisation	(32,408)	(19,116)	(1,331)	-	(52,855)
Total Insurance service expenses	(212,193)	(63,505)	(9,809)	-	(285,507)
Income from reinsurance contracts held					
Incurred Claims recovered	15,927	59,407	3,042	-	78,376
Changes that relate to past service - adjustments to AIC	1,324	(13,434)	687	-	(11,423)
Effect of changes in the risk of reinsurers non-performance	-	-	-	-	-
Reinsurance expenses	17,251	45,973	3,729	-	66,953
Allocation of reinsurance premiums	(23,337)	(77,155)	(5,799)	-	(106,291)
Total net expenses from reinsurance contracts	(6,086)	(31,182)	(2,070)	-	(39,338)
Total insurance service result	(34,857)	16,450	(3,097)	-	(21,504)
Net insurance finance income	-	-	-	1,073	1,073
Net investment income	-	-	-	69,147	69,147
Other income	-	-	-	2,204	2,204
Other operative expenses	-	-	-	(5,362)	(5,362)
Board of directors' remuneration				(2,700)	(2,700)
Other finance costs	-	-	-	(11,466)	(11,466)
(Loss) / profit for the year	(34,857)	16,450	(3,097)	52,896	31,392

29 Commitments and contingencies

Contingent liabilities

At 31 December 2023, the Group had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 543 thousand (31 December 2022: AED 543 thousand).

At 31 December 2023, the Group's share in contingent liabilities and commitments in respect of its associates amounts to AED 1,004 thousand (31 December 2022: AED 500 thousand) and AED 9,543 thousand (31 December 2022: AED 16,206 thousand) respectively

Legal claims

The Group, 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 7,261 thousand *(31 December 2022: AED 7,934 thousand)* representing amounts expected to result in a probable outflow of economic resources.

30 Corporate tax

On 9 December 2022, the UAE Ministry of Finance released the Federal Decree Law No. 47 of 2022 on the Taxation of Corporations and Businesses (the Law) to enact a Federal Corporate Tax (CT) regime in the UAE.

CT applies to all businesses and individuals conducting business activities under a commercial license in the UAE. Thus, the company will be subject to CT.
The CT regime has become effective for accounting periods beginning on or after 1 June 2023. The Company is subject to corporate tax from the financial year beginning from January 2024 onwards.

The Cabinet of Ministers Decision No. 116/2022 effective from 2023, specified that corporate tax at 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 has assessed the possible impact of CT on the consolidated financial statements, and concluded that the results are not impacted by the transition requirements. Further, there is no adjustment required for deferred tax as well.

31 Gross written premium

In reference to notice CBUAE/BIS/2023/6163 by Central Bank of UAE on reporting requirements, the insurance companies are required to include a disclosure on the details of gross written premium as per INFO-7 of the eForms.

			31 December 2023		
	Life Insurance	**Fund Accumulation**	**Medical Insurance**	**Property & Liability**	**All type of Business Combined**
Direct Written Premiums	-	-	**1,685**	**252,678**	**254,363**
Assumed Business					
Foreign	-	-	-	-	-
Local	-	-	**-**	**18,016**	**18,016**
Total Assumed Business	-	-	**-**	**18,016**	**18,016**
Total Gross Written Premium	-	-	**1,685**	**270,694**	**272,379**

31 Gross written premium*(continued)*

	31 December 2022				
	Life Insurance	Fund Accumulation	Medical Insurance	Property & Liability	All type of Business Combined
Direct Written Premiums	-	-	1,831	280,161	281,992
Assumed Business					
Foreign	-	-	-	-	-
Local	-	-	-	24,132	24,132
Total Assumed Business				24,132	24,132
Total Gross Written Premium	-	-	1,831	304,293	306,124

Gross Written premium is a measure of the total premium that an insurer collects from its customer.

32 Social contribution

The Social contribution (including donations and charity) made during the year amount to AED 112 thousand (31 December 2022: AED 100 thousand).

33 General

The consolidated financial statements of the Group were approved for issuance by the Board of Directors on 25 March 2024.