Integrated Report

For the Financial year ended 31st December 2022

Table of Contents:

Serial	Subject	Page
1.	Board of Directors Report	03-05
2.	Auditors Report	06-11
3.	Financial Statements for 2022	12-73
4.	Governance Report 2022	74-99
5.	Sustainability Report 2022	100-107

Al Ain Ahlia Insurance Company (PSC)

BOARD OF DIRECTORS' REPORT FOR 2022

We are pleased to present our 47th Annual Report on the company's business activities for 2022 together with the audited financial statements for the year ended 31 December 2022.

As it is evident that the UAE economy has survived the economic impact of the COVID-19 with economic growth being strong, led by a strong rebound in non-oil sector as well as higher oil production.

The economic recovery is gaining momentum driven by return of economic cycle. According to the latest IMF and World Bank reviews, the UAE GDP growth reached above 5.9 % in 2022 improving from 3.8 % in 2021 and expected to reach 4.1 % in 2023.

According to IMF The UAE economic outlook remains positive, supported by domestic activity. This comes as the global economy is projected to slow down sharply due to high inflation, rising interest rates and reduce investments. Report projected that the global economy to grow by 1.7 % in 2023 and 2.7 % in 2024, down by 1.3 % and 0.3 %, respectively.

The UAE insurance sector has seen a slight increase in written premiums during the year 2022, but contrary to topline a significant decline has been observed in net profits. We expect the insurance sector in UAE will be more organized in this year to witness an overall growth in 2023.

The Gross premium income of Al Ain Ahlia Insurance Company for 2022 amounted to Dh. 923,415,196 compared to Dh. 1,206,197,209 in 2021 and net underwriting profit for 2022 amounted to Dh. 100,985,964 compared to Dh. 131,894,356 in 2021.

Reserves for unearned premium amounted to Dh. 78,832,155 compared to Dh. 69,988,643 in 2021 and the net profit achieved by the Company amounted to Dh. 63,138,151 compared to Dh. 83,255,957 in 2021.

The results for each class of business are summarized as follows:

MARINE AND AVIATION

The total premium written amounted to Dh. 52,292,251 compared to Dh. 49,905,149 in 2021. The company's share in paid and outstanding claims amounted to Dh. 4,023,348 compared to Dh. (1,776,917) in 2021 and reserves for unearned premiums amounted to Dh. 1,726,856 compared to Dh. 1,196,957 in 2021.

NON-MARINE

The total premium written amounted to Dh. 871,122,945 compared to Dh. 1,156,292,060 in 2021. The company's share in paid and outstanding claims amounted to Dh. 90,114,001 compared to Dh. 91,637,124 in 2021 and reserves for unearned premiums amounted to Dh. 77,105,299 compared to Dh. 68,791,686 in 2021.

INVESTMENTS AND OTHER INCOME

Investment income for the year amounted to Dh. 45,754,829 compared to Dh. 35,849,886 in 2021.

The Board of Directors, on behalf of the Company, would like to express their gratitude and appreciation to His Highness Sheikh Mohammed Bin Zayed Al Nahyan, President of the United Arab Emirates and the Ruler of Abu Dhabi for his assistance to the national Companies.

The Board of Directors also thanks all persons and organizations dealing with the Company within and outside the country and wishes to express their appreciation to the Management and Employees of the Company for their genuine efforts which contributed largely to this year's achievements.

The Board of Directors

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

Report on the Audit of the Consolidated Financial Statements

Opinion

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

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 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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* (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 the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended 31 December 2022. 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.

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical reserves

The estimation of liabilities arising from insurance contracts such as unearned premiums reserve, outstanding claims reserve, claims incurred but not reported reserve and unallocated loss adjustment expenses reserve as disclosed in Note 10 to the consolidated financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and persistency (including consideration of policyholder behavior). Actuarial computations have been used to determine these reserves. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such reserves requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these reserves was significant to our audit.

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

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

ii) Revenue recognition

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

We assessed management's calculation of gross premiums amounting to AED 923 (note 19) million and net unearned premium reserve amounting to AED 79 million (note 10) by performing audit procedures, which included among others:

- We assessed whether the Group's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premium on policies are accounted for on the date of inception of policies, by testing a sample of revenue items to policy contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premium reserve balance as per the consolidated financial statements to the reserve balance computed by the Group's actuary.

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

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

ii) Revenue recognition (continued)

- We recalculated the unearned premium reserve based on the earning period of policy contracts existing as of 31 December 2022.
- We tested written policies on a sample basis where revenue was recorded close to year end and subsequent to year end, and evaluated whether these were recorded in the appropriate accounting period.

Other Information

Management is responsible for the other information contained in the consolidated financial statements which comprises the information included in the *Board of Directors' Report*, but which does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the 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 on the *Board of Directors' Report* that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 32 of 2021, and UAE Federal Law No. 6 of 2007 (as amended), 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.

Grant Thornton

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the 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 controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- 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 of 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.

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

Report on the Audit of the Consolidated Financial Statements (continued)

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

v) as disclosed in note 8 to the consolidated financial statements, the Group has purchased shares during the year ended 31 December 2022;

vi) note 16 to the consolidated financial statements discloses material related party transactions, and the terms under which they were conducted;

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

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 that causes us to believe that the Group has contravened during the financial year ended 31 December 2022 any of the applicable provisions of the UAE Federal Decree-Law No. 32 of 2021 or in respect to the Company, its Articles of Association, which would materially affect its activities or its consolidated financial position as at 31 December 2022; and

viii) The Group did not make any social contributions made during the financial year ended 31 December 2022.

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

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 13 February 2023

Al Ain Ahlia Insurance Company P.S.C.

Consolidated financial statements
For the year ended 31 December 2022

Table of contents

Composition of Board of Directors

Chairman:	H.E. Mohamed Jouan Rashed Albadi Aldhaheri
Vice Chairman:	H.E. Khaled Mohamed Jouan Albadi Aldhaheri
Directors:	H.E. Sheikh Zayed Bin Suroor Bin Mohd. AL Nahyan
	H.E. Saeed Ahmad Omran Almazrouei
	H.E. Ghaith Hammel Khadim Alghaith Alqubaisi
	H.E. Mohamed Abduljabbar Abdulmohsen Ahmed Alsayegh
	H.E. Faysal Jasim Mohamed Al Khalufi
General Manager	Mr. Mohammed Mazhar Hamadeh
Address:	P.O. Box 3077 Abu Dhabi United Arab Emirates
External auditors:	Grant Thornton – UAE

Consolidated statement of financial position
As at 31 December 2022

	Notes	2022 AED'000	2021 AED'000
ASSETS			
Property and equipment	5	**761,120**	773,767
Investment properties	6	**83,352**	78,242
Intangible assets		**144**	362
Statutory deposits	7	**10,000**	10,000
Financial assets carried at FVTOCI	8	**466,095**	451,758
Insurance receivables	9	**203,269**	218,105
Reinsurance contract assets	10	**884,787**	1,078,256
Other receivables and prepayments		**25,499**	65,947
Term deposits	11	**168,092**	158,972
Cash and cash equivalents	12	**88,347**	152,258
TOTAL ASSETS		**2,690,705**	2,987,667
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**150,000**	150,000
Legal reserve	14	**75,000**	75,000
General reserve	14	**600,000**	600,000
Technical reserve	14	**8,083**	8,083
Reinsurance default reserve	14	**13,905**	10,190
Investment revaluation reserve	14	**196,325**	198,643
Retained earnings		**273,455**	259,032
TOTAL EQUITY		**1,316,768**	1,300,948
LIABILITIES			
Provision for employees' end of service benefits	17	**12,865**	41,512
Insurance and other payables	15	**264,674**	355,308
Insurance contract liabilities	10	**1,048,431**	1,247,134
Reinsurance deposit retained		**35,086**	28,198
Accruals and other payables		**12,881**	14,567
TOTAL LIABILITIES		**1,373,937**	1,686,719
TOTAL EQUITY AND LIABILITIES		**2,690,705**	2,987,667

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

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 13 February 2023 and signed on its behalf by:

Chairman   General Manager   Chief Financial Officer

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
For the year ended 31 December 2022

	Notes	**2022 AED'000**	2021 AED'000
Gross premiums written	19	**923,415**	1,206,197
Reinsurance premiums ceded	19	**(743,086)**	(1,044,373)
Net premiums	19	**180,329**	161,824
Net change in unearned premiums		**(8,844)**	29,816
Net premiums earned		**171,485**	191,640
Commission earned		**134,059**	133,900
Commission incurred		**(104,388)**	(98,123)
Gross underwriting income		**201,156**	227,417
Gross claims paid	20	**(629,648)**	(783,488)
Reinsurance share of claims paid	20	**521,434**	667,901
Net claims paid	20	**(108,214)**	(115,587)
Change in insurance contract liabilities		**17,277**	(32,778)
Change in reinsurance contract assets		**(3,199)**	58,504
Net claims incurred		**(94,136)**	(89,861)
Other underwriting income		**3,489**	4,320
Other underwriting expenses		**(9,521)**	(9,983)
Net underwriting income		**100,988**	131,893
Income from investments, net	21	**19,855**	17,370
Income from investment properties, net	6	**6,803**	5,033
Other income		**19,097**	13,447
		146,743	167,743
General and administrative expenses	22	**(83,605)**	(84,489)
PROFIT FOR THE YEAR	23	**63,138**	83,254
Basic and diluted earnings per share (AED)	23	**4.21**	5.55

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of other comprehensive income
For the year ended 31 December 2022

	Note	2022 AED'000	2021 AED'000
Profit for the year		**63,138**	83,254
Other comprehensive income/ (loss)			
Items that will not be subsequently reclassified to profit or loss:			
Change in fair value of equity instruments carried at FVTOCI	8	**9,354**	86,765
Items that may be subsequently reclassified to profit or loss:			
Change in fair value of debt instruments carried at FVTOCI	8	**(11,672)**	(2,061)
Total other comprehensive (loss)/income for the year		**(2,318)**	84,704
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**60,820**	167,958

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Al Ain Ahlia Insurance Company P.S.C.
Consolidated financial statements

Consolidated statement of changes in shareholders' equity
For the year ended 31 December 2022

	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Technical reserve AED'000	Reinsurance default reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at 1 January 2022	**150,000**	**75,000**	**600,000**	**8,083**	**10,190**	**198,643**	**259,032**	**1,300,948**
Net profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**63,138**	**63,138**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**(2,318)**	**-**	**(2,318)**
Dividends paid (Note 25)	**-**	**-**	**-**	**-**	**-**	**-**	**(45,000)**	**(45,000)**
Transfer to reinsurance default reserve	**-**	**-**	**-**	**-**	**3,715**	**-**	**(3,715)**	**-**
Balance as at 31 December 2022	**150,000**	**75,000**	**600,000**	**8,083**	**13,905**	**196,325**	**273,455**	**1,316,768**
Balance as at 1 January 2021	150,000	75,000	600,000	8,083	4,968	113,939	218,500	1,170,490
Net profit for the year	-	-	-	-	-	-	83,254	83,254
Other comprehensive loss for the year	-	-	-	-	-	84,704	-	84,704
Dividends paid (Note 25)	-	-	-	-	-	-	(37,500)	(37,500)
Transfer to reinsurance default reserve	-	-	-	-	5,222	-	(5,222)	-
Balance as at 31 December 2021	150,000	75,000	600,000	8,083	10,190	198,643	259,032	1,300,948

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended 31 December 2022

	Notes	2022 AED'000	2021 AED'000
OPERATING ACTIVITIES			
Profit for the year		**63,138**	83,254
Adjustments for:			
Depreciation of property and equipment	5	**13,392**	16,572
Amortization of intangible assets		**319**	353
Change in fair value of investment properties	6	**(5,110)**	(3,900)
Change in fair value of investments carried at FVTPL		**-**	60
Gain on sale of investments carried at FVTPL		**-**	(15)
Provision for expected credit losses	9	**1,000**	1,536
Interest and dividend income		**(20,060)**	(17,454)
Provision for employees' end of service benefits	17	**5,060**	1,796
Cash flow from operating activities before movement in working capital		**57,739**	82,202
Change in reinsurance contracts assets		**193,469**	(91,761)
Change in insurance contracts liabilities		**(198,703)**	36,219
Change in insurance receivables		**13,836**	10,774
Change in other receivables and prepayments		**40,448**	(10,472)
Change in insurance and other payables		**(90,634)**	57,068
Change in accruals and other payables		**(1,686)**	(463)
Change in reinsurance deposits retained		**6,888**	3,029
Cash generated from operations		**21,357**	86,596
Employees' end of service benefits paid	17	**(33,707)**	(854)
Net cash (used in)/generated from operating activities		**(12,350)**	85,742
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(745)**	(134)
Purchase of intangible assets		**(101)**	-
Purchase of financial assets carried at FVTOCI	8	**(24,077)**	(65,811)
Proceeds from sale of financial assets carried at FVTOCI	8	**7,422**	-
Proceeds from sale of financial assets carried at FVTPL		**-**	400
(Increase) / decrease in term deposits maturing for more three months		**(9,120)**	6,982
Interest and dividend received		**20,060**	17,454
Net cash used in investing activities		**(6,561)**	(41,109)
FINANCING ACTIVITIES			
Dividends paid	25	**(45,000)**	(37,500)
Net cash used in financing activity		**(45,000)**	(37,500)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(63,911)**	7,133
Cash and cash equivalents at the beginning of the year		**152,258**	145,125
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**88,347**	152,258

The accompanying notes from 1 to 31 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements
For the year ended 31 December 2022

1 Legal status and principal activities

Al Ain Ahlia Insurance Company P.S.C. (the "Company") is incorporated in Abu Dhabi with limited liability by Law No. (18) of 1975. Al Ain Ahlia Insurance Company P.S.C. is registered as a public shareholding company in accordance with the Federal Law No. (32) of 2021. The Company is subject to the regulations of the UAE Federal Law no. 6 of 2007 (as amended) on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of the Central Bank of the United Arab Emirates ("CBUAE") (formerly, UAE Insurance Authority ("IA")) under registration number 3.

Federal Law by Decree No. 32 of 2021 on Commercial Companies (the "New Companies Law") was issued on 20 September 2021 with an effective date of 2 January 2022 and will entirely replace Federal Law No. (2) of 2015, as amended, on Commercial Companies, as amended. The Group has twelve months from the effective date to comply with the provisions of the New Companies Law.

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

The Company is domiciled and operates in the UAE and its registered address is P.O. Box 3077, Abu Dhabi, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company's principal activity is underwriting of all classes of insurance in accordance with the provisions of the UAE Federal Law No. (6) of 2007 (as amended) regarding the Establishment of the Insurance Authority and Insurance Operations.

The Company had 217 employees as of 31 December 2022 (31 December 2021: 215).

The consolidated financial statements comprise the Company and its subsidiary, Al Bandar Investment one person company L.L.C 100% owned by the Company, (together referred to as "the Group").

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and comply with applicable requirements of the Federal Law No. (6) of 2007 (as amended), Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (32) of 2021 Concerning the Commercial Companies and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies, Insurance Authority Board Decision No. (23) of 2019 Concerning Instruction Organizing Reinsurance Operations.

2 General information (continued)

2.2 Standards, interpretations and amendments to existing standards

Application of new and revised International Financial Reporting Standards (IFRS)

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

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

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

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

Amendment to standards and interpretations issued but not yet effective

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

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

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

2 General information (continued)

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

Amendment to standards and interpretations issued but not yet effective (continued)

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

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

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

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

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

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

Under the general model the CSM is adjusted for non-economic assumption changes relating to future periods. IFRS 17 requires the standard to be applied retrospectively. Where this is assessed as impracticable the standard allows the application of a simplified retrospective approach or a fair value approach to determine the contractual service margin. The measurement principles set out in IFRS 17 will significantly change the way in which the Group measures its insurance contracts and associated reinsurance contracts.

2 General information (continued)

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

Amendment to standards and interpretations issued but not yet effective (continued)

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

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

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

- The Group expects that it will apply the PAA to all contracts because the standard has given options to the entities to simplify their contract measurement approach by applying Premium Allocation Approach for their insurance contract where the coverage period is 12 months or less or if applying the simplified approach will give results not materially different from the results produced by applying general measurement model. This option will reduce the complexities, time and cost in applying IFRS 17 for the group.

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

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs.

Under IFRS 17, only insurance acquisition cash flows that arise before the recognition of the related insurance contracts are recognised as separate assets and tested for recoverability, whereas other insurance acquisition cash flows are included in the estimates of the present value of future cash flows as part of the measurement of the related insurance contracts.

2 General information (continued)

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

Amendment to standards and interpretations issued but not yet effective (continued)

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

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

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

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

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

3 Significant accounting policies

3.1 Basis of preparation

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

The consolidated financial statements are presented in UAE Dirhams (AED) being the functional and presentation currency of the Group. All the financial information has been presented in these consolidated financial statements has been rounded off to nearest thousands (AED'000) except where otherwise indicated.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the consolidated statement of financial position date (current) and more than 12 months after the consolidated statement of financial position date (non-current) is presented in note 27.

3 Significant accounting policies (continued)

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The consolidated financial statements include:

Name of subsidiary	Principal activity	Country of incorporation
Al Bandar Investment owned by Al Ain Ahlia Insurance One Person Company LLC	Investment management in commercial enterprises, retail trade enterprises, oil and natural gas, agricultural enterprises, industrial enterprises, educational enterprises and tourist enterprises.	United Arab Emirates

Al Ain Ahlia Insurance Company P.S.C. has control over the above company and derives economic benefit from equity holdings. The Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity via management agreements and accordingly, the entity is consolidated as wholly owned subsidiary in these consolidated financial statements. Accordingly, the consolidated financial statements incorporate 100% of the assets, liabilities, income and expenses of the above company.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3 Significant accounting policies (continued)

3.2 Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 Insurance contracts

3.3.1 Product classification

Insurance contracts are those contracts for which the Group (the insurer) has accepted the significant insurance risk from another party (policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Group determines whether it has significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. An insurance contract can also transfer financial risk.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable provided in case of a non-financial variable, that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the reminder of its lifetime even if the insurance risk reduces significantly during this period unless all rights and obligations are extinguished or expire. An investment contract can however be classified as an insurance contract after its inception if the insurance risk becomes significant.

3.3.2 Recognition and measurement

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

These contracts are general insurance contracts and life assurance contracts.

3 Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Recognition and measurement

3.3.2.1 General insurance contracts

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the consolidated statement of profit or loss and other comprehensive income before deduction of commission.

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

3.3.2.2 Life assurance contracts

In respect of the short-term life assurance contracts, premiums are recognised as revenue (earned premiums) proportionately over the period of coverage. The portion of the premium received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the consolidated statement of profit or loss and other comprehensive income before the deduction of the commission.

In respect of long-term life assurance contracts, premium are recognised as revenue (earned premiums) when they become payable by the contract holder. Premiums are shown in the consolidated statement of profit or loss and other comprehensive income before deduction of commission.

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised. The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single premium or limited number of premium payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract in-force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

3 Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Reinsurance contracts

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on one or more contracts issued by the Group and that meet the classification requirements for insurance contracts are recognised as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Group under which the contract holder is another insurer, are included in insurance contracts. The benefits to which the Group is entitled under its reinsurance contracts are recognised as reinsurance contract assets.

The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract assets are impaired, the Group reduces the carrying amount of the reinsurance contract assets to their recoverable amounts and recognises that impairment loss in the consolidated statement of profit or loss and other comprehensive income. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due.

The Group also assumes reinsurance risk in the normal course of business for life assurance and general insurance contracts where applicable. Premium and claims on assumed reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

3.3.4 Insurance contract liabilities

3.3.4.1 Unearned premium reserve

At the end of the reporting period, proportions of net retained premium of the general insurance, group life and medical insurance are provided, based on actuarial estimates obtained from an independent actuary, to cover portions of risks which have not expired on time proportion basis except for marine which is calculated at 25%.

3.3.4.2 Outstanding claims reserve

Insurance contract liabilities towards outstanding claims are recognised for all claims intimated and unpaid at the end of the reporting period. These liabilities are known as the claims under settlement reserve, which is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when it is expired, discharged or cancelled.

3 Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.4 Insurance contract liabilities (continued)

3.3.4.3 Incurred but not reported reserve

A provision is made for any claims Incurred But Not Reported (IBNR) at the reporting date based on an actuarial estimate obtained from an independent actuary. The method used to calculate claims incurred but not reported takes into account certain ratios based on historical data, past estimates and details of reinsurance programs to assess the quantum of reinsurance recoveries

3.3.4.4 Unallocated loss adjustment expense

A provision for Unallocated Loss Adjustment Expenses (ULAE), which cannot be allocated to specific claims, is made at the reporting date based on actuarial estimates obtained from an independent actuary.

3.3.5 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the consolidated statement of profit or loss and other comprehensive income initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

3.3.6 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers, insurance contract holders reinsurance companies and related parties.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that expected credit loss in the statement of profit or loss and other comprehensive income.

3.3.7 Salvage and subrogation reimbursements

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

3.4 Revenue recognition

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

Revenue from insurance contracts
Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements.

3 Significant accounting policies (continued)

3.4 Revenue recognition (continued)

Commission income
Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

Dividend income
Dividend income is recognised when the Group's right to receive the payment has been established.

Interest income
Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental income
Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

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

3.5 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment is their purchase cost, together with any incidental expenses of acquisition.

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 the statement of profit or loss during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment on a straight-line basis over their expected useful economic lives.

The principal useful life used for this purpose are:

Building	40 years
Office decoration	3-4 years
Furniture and equipment	3-4 years
Motor vehicles	3-4 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

3 Significant accounting policies (continued)

3.6 Investment properties

Investment properties are held for the generation of income or capital appreciation and are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss and other comprehensive income in the year in which they arise.

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

Transfers are made to or from investment property only when there is a change in use.

3.7 Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible 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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3 Significant accounting policies (continued)

3.8 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 reporting date, 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 (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.9 Employee benefits

An accrual is made for estimated liability for employees' entitlement to annual leave and leave passage as a result of services rendered by eligible employees up to the end of the reporting period.

Provision is also made for end of service benefits due to non-UAE national employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the Abu Dhabi Pension Authority, calculated in accordance with Government regulations. Such contributions are charged to the consolidated statement of profit or loss and other comprehensive income during the employees' period of service.

3.10 Financial assets

Classification and measurement

The Group has the following financial assets: cash and cash equivalents, insurance and reinsurance balances receivables, investments at fair value through other comprehensive income and investments at fair value through profit or loss. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalent include cash on hand and deposits held at call with banks with original maturities of three months or less.

3 Significant accounting policies (continued)

3.10 Financial assets (continued)

Insurance and reinsurance balances receivables

Insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective rate or return method, less any impairment. Return income is recognised by applying the effective rate of return, except for short term receivables when the recognition of return income would be immaterial.

Investments at fair value through other comprehensive income (equity instruments)

Investments at fair value through other comprehensive income (equity instruments) are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in consolidated other comprehensive income and dividend income is credited to the consolidated statement of profit or loss income when the right to receive the dividend is established.

Investments at fair value through other comprehensive income (debt instruments)

Investments at fair value through other comprehensive income (debt instruments) are initially recorded at cost and subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in the consolidated statement of other comprehensive income. Upon derecognition, the cumulative fair value change recognised in the consolidated statement of other comprehensive income is recycled to profit or loss.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in the consolidated statement of profit or loss, profit from debt securities is recognized in consolidated statement of profit or loss and dividend income is credited to the consolidated statement of profit or loss when the right to receive the dividend is established.

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 Significant accounting policies (continued)

3.10 Financial assets (continued)

Impairment of financial assets

The Group applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

a) Overview

The Group is recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12mECL"). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

3 Significant accounting policies (continued)

3.10 Financial assets (continued)
Impairment of financial assets (continued)

Impairment of financial assets (continued)

b) The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in consolidated other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in consolidated other comprehensive income is recycled to the consolidated profit or loss upon derecognition of the assets.

3 Significant accounting policies (continued)

3.10 Financial assets (continued)

Impairment of financial assets (continued)

c) Forward looking information

The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3.11 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Trade payables and accruals

Trade payables and accruals are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective rate of return, with the expense recognised on an effective yield basis.

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired.

3 Significant accounting policies (continued)

3.12 Foreign currency

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

3.13 Fair value measurement

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 Significant accounting policies (continued)

3.14 Leases

The Group as a lessee

The Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

3 Significant accounting policies (continued)

3.14 Leases (continued)

The Group as a lessee (continued)

Measurement and recognition of leases as a lessee (continued)

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

The Group as a lessor

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

3.15 Finance cost

Interest paid is recognised in the consolidated statement of profit or loss and other comprehensive income as it accrues and is calculated by using the effective interest rate method.

3.16 Intangible assets

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

4 Significant management judgement in applying accounting policies and estimation uncertainty

4.1 Significant management judgement in applying accounting policies

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

Classification of investments

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

Classification of properties

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

Fair value of financial instruments

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

4 Significant accounting judgements and estimates (continued)

4.1 Significant management judgement in applying accounting policies (continued)

Fair value of investment properties

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

Management, in conjunction with the Group's external valuers, also compares changes in fair value of each property with relevant external sources to determine whether the change is reasonable.

4.2 Key sources of estimation uncertainty

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

Liability adequacy test

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

Provision for expected credit losses of insurance receivables

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

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

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

At the reporting date, gross insurance receivables were AED 226,269 thousand (2021: AED 240,105 thousand) and the provision for expected credit losses was AED 23,000 thousand (2021: AED 22,000 thousand). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the consolidated statement of profit or loss and other comprehensive income.

4 significant accounting judgements and estimates (continued)

4.2 Key sources of estimation uncertainty (continued)

Provision for unearned premium reserve and unexpired risk reserve

Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 84,425 thousand (2021: AED 75,003 thousand).

Provision for incurred but not reported claims (IBNR)

Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of IBNR reserve (net of related reinsurance asset) is AED 44,933 thousand (2021: AED 48,846 thousand).

Reinsurance

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

Estimation of fair value of investment properties

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

Management, in conjunction with the Group's external valuers, also compares changes in fair value of each property with relevant external sources to determine whether the change is reasonable.

5 Property and equipment

	Land AED'000	Building AED'000	Office decoration AED'000	Furniture and equipment AED'000	Motor vehicles AED'000	Total AED'000
Cost						
At 1 January 2021	300,767	534,456	339	17,547	2,509	855,618
Additions during the year	-	-	47	87	-	134
Transfer to replacement reserve	-	-	-	(308)	-	(308)
Disposals during the year	-	-	-	-	(7)	(7)
At 31 December 2021	**300,767**	**534,456**	**386**	**17,326**	**2,502**	**855,437**
Additions during the year	**-**	**-**	**13**	**572**	**160**	**745**
Disposals during the year	**-**	**-**	**-**	**(153)**	**(650)**	**(803)**
At 31 December 2022	**300,767**	**534,456**	**399**	**17,745**	**2,012**	**855,379**
Accumulated depreciation						
At 1 January 2021	-	48,746	246	13,709	2,404	65,105
Charge for the year	-	13,098	42	3,349	83	16,572
Disposals during the year	-	-	-	-	(7)	(7)
At 31 December 2021	**-**	**61,844**	**288**	**17,058**	**2,480**	**81,670**
Charge for the year	**-**	**13,098**	**40**	**199**	**55**	**13,392**
Disposals during the year	**-**	**-**	**-**	**(153)**	**(650)**	**(803)**
At 31 December 2022	**-**	**74,942**	**328**	**17,104**	**1,885**	**94,259**
Carrying amount						
As at 31 December 2022	**300,767**	**459,514**	**71**	**641**	**127**	**761,120**
As at 31 December 2021	300,767	472,612	98	268	22	773,767

6 Investment properties

	Land AED'000	Building AED'000	Total AED'000
Balance at 1 January 2021	25,200	49,142	74,342
Change in fair value	(3,200)	7,100	3,900
At 31 December 2021	22,000	56,242	78,242
Balance at 1 January 2022	**22,000**	**56,242**	**78,242**
Change in fair value	**1,474**	**3,636**	**5,110**
At 31 December 2022	**23,474**	**59,878**	**83,352**

The Group enters into operating leases for its investment properties. Amounts recognised in the consolidated statement of profit or loss in respect of investments properties are as follows:

	2022 **AED'000**	2021 AED'000
Rental income from investment properties	**2,817**	2,122
Direct operating expenses	**(1,124)**	(989)
Increase in fair value of investment properties	**5,110**	3,900
Net profit arising from investment properties	**6,803**	5,033

The fair value of the Group's investment properties has been arrived at on the basis of a valuation carried out for the year ended 31 December 2022 by an independent valuer not related to the Group. the independent valuer is a member of the Royal Institute of Surveyors, and it has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The investment properties were valued as at 31 December 2022 by the independent valuer at AED 83.35 million using the income approach for building and comparable approach for land plots.

The fair values were determined based on the capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighborhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

6 Investment properties (continued)

For the valuation of the property the following significant inputs were used:

- Two buildings located in Abu Dhabi and Al Ain with fair values of AED 23.06 million (2021: AED 19.5 million) and AED 9.74 million (2021: AED 9.5 million) respectively. The rental income for the year net of expenses from each building amounted to AED 1.1 million (2021: AED 0.9 million) and AED 0.8 million (2021: AED 0.8 million) respectively.

- A warehouse in Mussafah with a fair value of AED 14 million (2021: AED 13 million). The rental income for the year net of expenses from the warehouse amounted to AED Nil (2021: Nil).

- Two plots of land in Dubai with fair value of AED 23.47 million (2021: AED 22 million). The plots are held for capital appreciation and used by the Group for future investment opportunities.

The investment properties are classified as Level 3. There were no transfers between Level 1 and 2 or to Level 3 during current and previous year.

There are no restrictions on the realisability of investment properties. The Group has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements. The properties are not pledged as collateral.

7 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (6) of 2007(as amended) covering insurance companies and agencies, the Group maintains a bank deposit of AED 10 million (2021: AED 10 million) which cannot be utilized without the consent of the Central bank of UAE.

8 Investments carried at fair value through other comprehensive income

	2022 **AED'000**	2021 AED'000
Quoted UAE equity securities	**311,555**	301,245
Quoted UAE debt securities	**151,961**	147,934
Unquoted non-UAE equity securities	**2,579**	2,579
	466,095	451,758

Quoted UAE debt securities carry interest at the rate ranging from 3.38 % to 8.75 % (2021: 3.38 % to 7.13 %) per annum.

8 Investments carried at fair value through other comprehensive income (continued)

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

	2022	2021
	AED'000	AED'000
Fair value at beginning of year	**451,758**	301,243
Additions	**24,077**	65,811
Disposals	**(7,422)**	-
Change in fair value taken to other comprehensive income:		
Equity instruments	**9,354**	86,765
Debt instruments	**(11,672)**	(2,061)
Fair value at end of the year	**466,095**	451,758

9 Insurance receivables

	2022 AED'000	2021 AED'000
Due from brokers and agents	**94,142**	103,337
Due from policy holders	**60,304**	63,030
Due from insurance and reinsurance companies	**66,255**	73,369
Due from related parties (note 16)	**5,568**	369
	226,269	240,105
Less: Allowance for expected credit losses	**(23,000)**	(22,000)
	203,269	218,105

Receivables at nominal value of AED 23,000 thousands (2021: AED 22,000 thousands) were impaired.

The average credit period on insurance contracts is 180 days (2021: 180 days). No interest is charged on insurance and other receivables.

Amounts due from policyholders and insurance and reinsurance companies' balances consists of a large number of customers and insurance and reinsurance companies. The Group's terms of business require amounts to be paid in accordance with arrangements reached with the policy holders and insurance companies.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a insurance receivable, the Group considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date.

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

	2022 AED'000	2021 AED'000
At 1 January	**22,000**	20,464
Charge for the year	**1,000**	1,536
At 31 December	**23,000**	22,000

9 Insurance receivables (continued)

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

	31 December 2022			31 December 2021		
	Inside UAE	**Outside UAE**	**Total**	Inside UAE	Outside UAE	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Due from brokers and agents	**66,317**	**27,825**	**94,142**	69,445	33,892	103,337
Due from policyholders	**60,304**	**-**	**60,304**	63,030	-	63,030
Due from insurance and reinsurance companies	**40,021**	**26,234**	**66,255**	44,838	28,531	73,369
Due from related parties	**5,568**	**-**	**5,568**	369	-	369
	172,210	**54,059**	**226,269**	177,682	62,423	240,105
Less: Allowance for expected credit losses	**(16,750)**	**(6,250)**	**(23,000)**	(16,003)	(5,997)	(22,000)
Net insurance balances receivable	**155,460**	**47,809**	**203,269**	161,679	56,426	218,105

	31 December 2022			31 December 2021		
	Inside UAE	**Outside UAE**	**Total**	Inside UAE	Outside UAE	Total
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Neither past due nor impaired	**103,982**	**36,245**	**140,227**	98,992	43,339	142,331
91-120 days	**2,205**	**2,175**	**4,380**	18,415	2,127	20,542
121-180 days	**11,353**	**834**	**12,187**	9,055	1,497	10,552
181-365 days	**18,828**	**5,240**	**24,068**	18,080	4,591	22,671
Over 365 days	**35,842**	**9,565**	**45,407**	33,140	10,869	44,009
	172,210	**54,059**	**226,269**	177,682	62,423	240,105
Less: Allowance for expected credit losses	**(16,750)**	**(6,250)**	**(23,000)**	(16,003)	(5,997)	(22,000)
Net insurance balances receivable	**155,460**	**47,809**	**203,269**	161,679	56,426	218,105

10 Insurance contract liabilities and reinsurance contract assets

	31 December 2022			31 December 2021		
	Gross technical reserves	**Reinsurers' share of technical reserves**	**Net**	Gross technical reserves	Reinsurers' share of technical reserves	Net
	AED'000	**AED'000**	**AED'000**	AED'000	AED'000	AED'000
Property and liability insurance						
Outstanding claims reserve	**447,514**	**420,289**	**27,225**	414,769	377,845	36,924
Claims incurred but not reported (IBNR) reserve	**204,840**	**159,972**	**44,868**	253,961	205,197	48,764
Unallocated loss adjustments (ULAE) reserve	**7,026**	**-**	**7,026**	8,067	-	8,067
Unearned premiums reserve	**382,490**	**303,710**	**78,780**	563,711	493,829	69,882
Unexpired risk reserve	**5,036**	**-**	**5,036**	4,197	-	4,197
	1,046,906	**883,971**	**162,935**	1,244,705	1,076,871	167,834
Insurance of persons and fund accumulation						
Outstanding claims reserve	**154**	**128**	**26**	170	143	27
Claims incurred but not reported (IBNR) reserve	**453**	**388**	**65**	873	791	82
Unallocated loss adjustments (ULAE) reserve	**9**	**-**	**9**	11	-	11
Unearned premiums reserve	**353**	**300**	**53**	558	451	107
Unexpired risk reserve	**556**	**-**	**556**	817	-	817
	1,525	**816**	**709**	2,429	1,385	1,044
Consolidated						
Outstanding claims reserve	**447,668**	**420,417**	**27,251**	414,939	377,988	36,951
Claims incurred but not reported (IBNR) reserve	**205,293**	**160,360**	**44,933**	254,834	205,988	48,846
Unallocated loss adjustments (ULAE) reserve	**7,035**	**-**	**7,035**	8,078	-	8,078
Unearned premiums reserve	**382,843**	**304,010**	**78,833**	564,269	494,280	69,989
Unexpired risk reserve	**5,592**	**-**	**5,592**	5,014	-	5,014
	1,048,431	**884,787**	**163,644**	1,247,134	1,078,256	168,878

10 Insurance contract liabilities and reinsurance contract assets (continued)

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

	Outstanding claims reserve AED'000	Claims incurred but not reported reserve AED'000	Unearned premiums reserve AED'000	Unallocated loss adjustment reserve AED'000	Unexpired risk reserve AED'000	Total AED'000
31 December 2022 (gross)						
Engineering	**117,629**	**16,875**	**52,135**	**271**	**875**	**187,785**
Fire	**116,295**	**21,082**	**42,312**	**580**	**-**	**180,269**
Energy	**100,643**	**36,302**	**57,921**	**396**	**-**	**195,262**
Liabilities	**37,748**	**13,551**	**12,631**	**98**	**-**	**64,028**
Marine Hull	**18,132**	**3,276**	**8,098**	**257**	**670**	**30,433**
Marine Cargo	**16,859**	**1,867**	**5,844**	**40**	**505**	**25,115**
Miscellaneous	**12,292**	**1,341**	**5,404**	**-**	**-**	**19,037**
Accidents	**8,125**	**21,573**	**40,471**	**1,273**	**-**	**71,442**
Motor	**7,964**	**23,221**	**35,115**	**2,807**	**2,478**	**71,585**
Medical	**7,302**	**62,430**	**118,257**	**1,297**	**508**	**189,794**
Aviation	**4,525**	**3,322**	**4,302**	**7**	**-**	**12,156**
Life	**154**	**453**	**353**	**9**	**556**	**1,525**
	447,668	**205,293**	**382,843**	**7,035**	**5,592**	**1,048,431**
31 December 2021 (gross)						
Engineering	139,834	19,556	56,871	340	926	217,527
Fire	123,462	32,094	63,456	564	-	219,576
Liabilities	51,655	13,929	17,035	45	-	82,664
Energy	27,190	29,126	40,724	340	1,602	98,982
Motor	21,110	29,247	36,292	3,812	-	90,461
Miscellaneous	12,776	1,422	3,598	-	-	17,796
Marine Cargo	9,416	1,179	5,537	8	884	17,024
Accidents	9,227	19,194	36,832	1,571	-	66,824
Medical	8,818	101,216	291,402	1,237	674	403,347
Aviation	5,796	4,089	5,820	9	111	15,825
Marine Hull	5,485	2,909	6,144	141	-	14,679
Life	170	873	558	11	817	2,429
	414,939	254,834	564,269	8,078	5,014	1,247,134

10 Insurance contract liabilities and reinsurance contract assets (continued)

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

	2022			2021		
	Gross AED'000	**Reinsurance AED'000**	**Total AED'000**	Gross AED'000	Reinsurance AED'000	Net AED'000
Claims:						
Outstanding claims reserve (including ULAE)	**423,017**	**377,988**	**45,029**	374,473	322,515	51,958
Incurred but not reported reserve	**254,834**	**205,988**	**48,846**	270,417	202,957	67,460
Total at 1 January	**677,851**	**583,976**	**93,875**	644,890	525,472	119,418
Claims settled	**(629,648)**	**(521,434)**	**(108,214)**	(783,488)	(667,901)	(115,587)
Increase during the year	**611,793**	**518,235**	**93,558**	816,449	726,405	90,044
Total at 31 December	**659,996**	**580,777**	**79,219**	677,851	583,976	93,875
Outstanding claims reserve (including ULAE)	**454,703**	**420,417**	**34,286**	423,017	377,988	45,029
Incurred but not reported	**205,293**	**160,360**	**44,933**	254,834	205,988	48,846
Total at 31 December	**659,996**	**580,777**	**79,219**	677,851	583,976	93,875

	2022			2021		
	Gross AED'000	**Reinsurance AED'000**	**Total AED'000**	Gross AED'000	Reinsurance AED'000	Net AED'000
Unearned premium reserve						
Total at 1 January	**564,269**	**494,280**	**69,989**	560,828	461,023	99,805
Increase during the year	**382,843**	**304,010**	**78,833**	564,269	494,280	69,989
Release during the year	**(564,269)**	**(494,280)**	**(69,989)**	(560,828)	(461,023)	(99,805)
Net increase/(decrease) during the year	**(181,426)**	**(190,270)**	**8,844**	3,441	33,257	(29,816)
Total at 31 December	**382,843**	**304,010**	**78,833**	564,269	494,280	69,989

10 Insurance contract liabilities and reinsurance contract assets (continued)

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

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

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

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

11 Term deposits

These represent deposits with bank amounting to AED 168 million as at 31 December 2022 (2021: AED 159 million), carry average interest at the rate of 3.75% (2021: 1.59%) per annum with original maturity of 1 year.

12 Cash and cash equivalents

	2022 AED'000	2021 AED'000
Current accounts with banks	**88,270**	151,979
Cash on hand	**77**	279
Time deposits	**168,092**	158,972
Cash and bank balances	**256,439**	311,230
Less: fixed deposits with an original maturity of more than three months (note 11)	**(168,092)**	(158,972)
Cash and cash equivalents	**88,347**	152,258

13 Share capital

	2022 AED'000	2021 AED'000
Authorised, issued and fully paid:		
15,000,000 shares of AED 10 each	**150,000**	150,000

14 Reserves

Legal reserve
In accordance with the UAE Federal Law No. (32) of 2021 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution

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

Technical reserve
The Technical reserve is established to cover unforeseen future risks, which may arise from general insurance risks.

Reinsurance default reserve
In accordance with Article (34) to Insurance Authority's Board of Directors Decision No (23) of 2019, insurance companies incorporated in the State and licensed by the Central Bank of the United Arab Emirates ("CBUAE") (formerly, UAE Insurance Authority ("IA") 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 many not be disposed of without the written approval of the Assistant Governor of the Banking and Insurance Supervision Department of CBUAE. The decision was effective from 1 December 2020. Accordingly, an amount of AED 13.9 million (31 December 2021: 10 million) has been recorded in equity as a reinsurance default risk reserve.

14 Reserves (continued)

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

15 Insurance and other payables

	2022 AED'000	2021 AED'000
Due to insurance and reinsurance companies	**111,427**	127,653
Due to brokers and agents	**81,013**	63,317
Due to policy holders	**22,072**	114,351
Insurance payables	**214,512**	305,321
Dividend payable	**15,566**	15,566
Remuneration of the Directors (note 16)	**7,015**	9,251
Other credit balances	**27,581**	25,170
Total other payables	**50,162**	49,987
	264,674	355,308

The average credit period is 60 to 90 days (2021: 60 to 90 days). The Group has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Geographical concentration of insurance payables is as follows:

	31 December 2022			31 December 2021		
	Inside UAE AED'000	**Outside UAE AED'000**	**Total AED'000**	Inside UAE AED'000	Outside UAE AED'000	Total AED'000
Due to insurance and reinsurance companies	**16,804**	**94,623**	**111,427**	22,302	105,351	127,653
Due to brokers and agents	**22,718**	**58,295**	**81,013**	21,147	42,170	63,317
Due to policy holders	**22,072**	**-**	**22,072**	114,351	-	114,351
	61,594	**152,918**	**214,512**	157,800	147,521	305,321

16 Related party transactions and balances

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

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

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

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

	Nature of relationship	**2022 AED'000**	2021 AED'000
Due from related parties (note 9)			
Related parties due to common directorship	*Affiliates*	**5,232**	119
Key management personnel	*Key management personnel*	**336**	250
Other receivable from key management personnel	*Key management personnel*	**-**	29,085
Due to related parties			
Remuneration of the Directors (note 15)	*Directors*	**7,015**	9,251

16 Related party transactions and balances (continued)

Related party transactions

The Group, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS.

The following are the details of significant transactions with related parties:

		2022 **AED'000**	2021 AED'000
Gross premiums written to Directors' affiliates	*Affiliates*	**4,388**	5,466
Net claims paid to Directors' affiliates	*Directors*	**25**	78
Board of directors' remuneration (note 15)	*Directors*	**7,015**	9,251
Remuneration of key management personnel	*Key management personnel*	**12,095**	8,439

The remuneration of the Board of Directors is subject to approval by the shareholders at the forthcoming Annual General Meeting.

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

17 Provision for employees' end of service benefits

	2022 **AED'000**	2021 AED'000
At 1 January	**41,512**	40,570
Charge for the year	**5,060**	1,796
Paid during the year	**(33,707)**	(854)
At 31 December	**12,865**	41,512

During the year, the Group paid pension contributions in respect of UAE national employees amounting to AED 472 thousand (2021: AED 442 thousands).

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

18 Profit for the year

Profit for the year is stated after charging:

	2022 AED'000	2021 AED'000
Staff costs (note 22)	**51,130**	46,384
Depreciation and amortization (note 22)	**13,711**	16,925

19 Net premiums written

	Gross premiums written		Reinsurance premiums ceded		Net premiums written	
	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000	2022 AED'000	2021 AED'000
Medical	**397,676**	643,186	**342,601**	596,633	**55,075**	46,553
Fire	**108,333**	169,587	**101,647**	167,616	**6,686**	1,971
Motor	**103,082**	91,476	**16,883**	9,463	**86,199**	82,013
Energy	**102,320**	100,916	**95,555**	96,989	**6,765**	3,927
Engineering	**69,725**	47,721	**65,364**	45,601	**4,361**	2,120
Accidents	**47,421**	50,303	**34,410**	30,541	**13,011**	19,762
Liabilities	**30,258**	36,603	**28,305**	34,103	**1,953**	2,500
Marine Hull	**20,897**	16,061	**18,068**	14,089	**2,829**	1,972
Marine Cargo	**15,741**	15,393	**14,911**	15,070	**830**	323
Aviation	**15,654**	18,451	**15,154**	18,267	**500**	184
Miscellaneous	**10,748**	14,917	**8,827**	14,644	**1,921**	273
Life	**1,560**	1,583	**1,361**	1,357	**199**	226
	923,415	1,206,197	**743,086**	1,044,373	**180,329**	161,824

20 Net claims paid

	Gross claims paid		Reinsurance share of claims paid		Net claims paid	
	2022	2021	**2022**	2021	**2022**	2021
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Medical	**440,464**	525,021	**397,998**	482,310	**42,466**	42,711
Fire	**65,337**	50,256	**63,047**	49,326	**2,290**	930
Motor	**60,458**	72,590	**6,350**	7,255	**54,108**	65,335
Energy	**20,827**	54,688	**20,419**	57,784	**408**	(3,096)
Marine Hull	**15,882**	2,392	**14,512**	1,903	**1,370**	489
Engineering	**10,848**	26,204	**7,704**	23,743	**3,144**	2,461
Accidents	**7,386**	14,431	**3,504**	8,127	**3,882**	6,304
Liabilities	**5,552**	2,916	**5,048**	2,839	**504**	77
Marine Cargo	**1,491**	6,927	**1,463**	6,721	**28**	206
Aviation	**1,165**	27,576	**1,161**	27,451	**4**	125
Miscellaneous	**138**	47	**138**	47	**-**	-
Life	**100**	440	**90**	395	**10**	45
	629,648	783,488	**521,434**	667,901	**108,214**	115,587

21 Income from investments, net

	2022	2021
	AED'000	AED'000
Dividend income	**10,000**	8,767
Interest income	**10,060**	8,687
Gain on sale of investment carried at FVTPL	**-**	15
Fair value loss on financial assets carried at FVTPL	**-**	(60)
Other investment loss/expenses	**(205)**	(39)
	19,855	17,370

22 General and administrative expenses

	2022	2021
	AED'000	AED'000
Staff costs	**51,130**	46,384
Depreciation and amortization	**13,711**	16,925
Directors' remuneration (note 16)	**7,015**	9,251
Legal and professional fees	**4,271**	4,455
Repairs and maintenance	**1,896**	1,696
Rental expense	**1,208**	1,176
Provision for doubtful debts	**1,022**	1,536
Utilities	**875**	891
Finance charges	**830**	838
Marketing and advertising expense	**554**	211
Printing and stationary	**188**	182
Other expenses	**905**	944
	83,605	84,489

23 Basic and diluted earnings per share

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

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

	2022 **AED'000**	2021 AED'000
Profit for the year	**63,138**	83,254
Weighted average number of ordinary shares in issue throughout the year (Shares'000)	**15,000**	15,000
Basic and diluted earnings per share (AED)	**4.21**	5.55

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

24 Commitment and contingencies

The Group's bankers have issued in the normal course of business letters of guarantee in favor of third parties amounting to AED 14.6 million (31 December 2021: AED 14.8 million).

The Group is subject to litigation in the normal course of its business. The contingent liabilities amount to AED 6.05 million (31 December 2021: AED 42.9 million). Although the ultimate outcome of these claims cannot presently be determined, the management, based on advice from independent loss adjusters and internal legal counsel, has considered that existing provision is adequate to cover probable outflow of economic resource.

25 Dividends

The Board of Directors had proposed cash dividends of 30% which is AED 3 per share amounting to AED 45 million for the year ended 31 December 2021. The dividends were approved on Annual General Meeting held on 22 March 2022 and were paid to the shareholders during the year.

The Board of Directors had proposed cash dividends of 25% which is AED 2.5 per share amounting to AED 37.5 million for the year ended 31 December 2020. The dividends were approved on Annual General Meeting held on 5th April 2021 and were paid to the shareholders during 2021.

26 Risk 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 financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

Capital management objectives, policies and approach

The 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 the light of changes in economic conditions and risk characteristics.

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

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 31 December 2021. Capital comprises share capital, legal reserve, technical reserves, general reserve, reinsurance default reserve, investment revaluation reserve and retained earnings, and is measured at AED 1,317 million as at 31 December 2022 (2021: AED 1,301 million).

26 Risk management (continued)

Approach to capital management (continued)

On 28 December 2014, the Central Bank of the United Arab Emirates ("CBUAE") (formerly, UAE Insurance Authority ("IA")) issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The 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. The 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. (6) of 2007 (as amended) Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for insurance companies.

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

As instructed by the CBUAE in the insurance reporting requirements under *Format of the Financial Statements section in "appendix* L*"* to the Financial Reporting and e-Forms requirements circular, In case the companies face any challenges while disclosing the year-end solvency position for the current year, they should disclose the solvency position for the quarter immediately preceding the year-end.

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

	30 September 2022 (Unaudited) AED'000	31 December 2021 AED'000
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**193,239**	202,377
Minimum Guarantee Fund (MGF)	**64,413**	67,459
Own Funds		
Basic Own Funds	**937,520**	951,232
MCR Solvency Margin surplus	**837,520**	851,232
SCR Solvency Margin surplus	**744,281**	748,854
MGF Solvency Margin surplus	**873,107**	883,772

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

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

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the 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 Authority
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
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and consolidated financial statements.

27 Insurance and financial risk (continued)

Insurance risk

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

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

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

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

27 Insurance and financial risk (continued)

Insurance risk (continued)

Frequency and severity of claims

The Group has the right not to renew individual policies, to re-price the risk, to impose deductibles and to reject the payment of a fraudulent claim. Insurance contracts also entitle the Group to pursue third parties for payment of some or all costs (for example, subrogation). Furthermore, the Group's strategy limits the total exposure to any one territory and the exposure to any one industry.

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Group operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The Group has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Group actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Group considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

27 Insurance and financial risk (continued)

Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments (continued)

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the end of the reporting period.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This provides a greater understanding of the trends inherent in the experience being projected. The projections given by the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

In calculating the estimated cost of unpaid claims (both reported and not), the Group's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The initial estimate of the loss ratios used for the current year before and after reinsurance are analysed below by type of risk where the insured operates for current and prior year premium earned.

	2022		2021	
	Gross loss ratio	**Net loss ratio**	Gross loss ratio	Net loss ratio
Life insurance	**(33.94%)**	**(107.11%)**	**64.43%**	**197.78%**
Non-life insurance	**55.57%**	**55.13%**	**67.87%**	**46.64%**

Process used to decide on assumptions

The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Group's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Group uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The Group has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or Group's accident years within the same class of business.

27 Insurance and financial risk (continued)

Insurance risk (continued)

Claims development process

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

Accident year	2017 and earlier AED'000	2018 AED'000	2019 AED'000	2020 AED'000	2021 AED'000	2022 AED'000	Total AED'000
Non-Life- Gross:							
At the end of the accident year	-	503,967	412,060	308,487	437,901	368,029	2,030,444
One year later	-	469,242	357,270	301,762	392,425	-	1,520,699
Two year later	-	420,717	381,917	246,792	-	-	1,049,426
Three year later	-	375,274	385,429	-	-	-	760,703
Four year later	-	378,660	-	-	-	-	378,660
Current estimate of Cumulative claims	7,580,908	378,660	385,429	246,792	392,425	368,029	9,352,243
Cumulative payments to date	7,558,729	340,475	288,097	207,784	226,669	78,135	8,699,889
Liability recognised in the consolidated statement of financial position	22,179	38,185	97,332	39,008	165,756	289,894	652,354
Life- Gross:							
At the end of the accident year	-	2,625	614	983	1,439	614	6,275
One year later	-	2,290	335	142	503	-	3,270
Two year later	-	2,245	331	142	-	-	2,718
Three year later	-	2,243	331	-	-	-	2,574
Four year later	-	2,243	-	-	-	-	2,243
Current estimate of Cumulative claims	21,820	2,243	331	142	503	614	25,653
Cumulative payments to date	21,820	2,214	331	142	489	50	25,046
Liability recognised in the consolidated statement of financial position	-	29	-	-	14	564	607

27 Insurance and financial risk (continued)

Insurance risk (continued)

Concentration of insurance risk (continued)

Substantially all the Group's underwriting business are carried out in the United Arab Emirates (UAE).

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 arrangement with other parties for reinsurance purposes.

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. 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.

Sensitivity of underwriting profit and losses

The Group does not foresee any adverse change in the contribution of insurance profit due to the following reasons:

The Group has an overall risk retention level of 2022: 20% (2021: 13%) and this is mainly due to low retention levels in general accident, liability, marine cargo, aviation, fire, engineering and energy. However, for other lines of business, the Group is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Group has earned commission income of AED 134 million (2021: AED 134 million) predominantly from the reinsurance placement which remains a comfortable source of income.

Credit risk

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

Key areas where the Group is exposed to credit risk are:
- reinsurers' share of insurance assets;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and term deposits and debt securities.

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

27 Insurance and financial risk (continued)

Insurance risk (continued)

Credit risk (continued)

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

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

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

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are registered banks with sound financial positions.

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

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

The table below shows the maximum exposure to credit risk for the components of the consolidated statement of financial position:

	Notes	**2022** **AED'000**	2021 AED'000
Statutory deposits	7	**10,000**	10,000
Financial assets carried at FVTOCI	8	**466,095**	451,758
Insurance receivables	9	**203,269**	218,105
Reinsurance contract assets	10	**884,787**	1,078,256
Other receivables		**19,963**	45,642
Term deposits	11	**168,092**	158,972
Cash and cash equivalents	12	**88,347**	152,258
Total credit risk exposure		**1,840,553**	2,114,991

27 Insurance and financial risk (continued)

Insurance risk (continued)

Market price risk

Market price 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.

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income would have increased/decreased by AED 31.2 million (2021: AED 42.2 million) in the case of the financial investments at fair value through other comprehensive income.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Group. The Group is exposed to interest rate risk on its debt securities and term deposits that carry fixed interest rates which are detailed in Notes 8 and 11, respectively.

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

Interest rate sensitivity analysis

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

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

Currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the 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.

27 Insurance and financial risk (continued)

Insurance risk (continued)

Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group manages the liquidity risk through a risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and bank facilities, to ensure that funds are available to meet their commitments for liabilities as they fall due.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The following table summarises the maturity profile of the Group's financial assets and liabilities based on remaining contractual obligations including interest receivable and payables.

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

	Current Up to 1 year AED'000	Non-current >1 year AED'000	Total AED'000
31 December 2022			
Insurance and other payables	**264,674**	**-**	**264,674**
Insurance contract liabilities	**1,048,431**	**-**	**1,048,431**
Reinsurance deposits retained	**35,086**	**-**	**35,086**
Provision for employees' end of service benefits	**-**	**12,865**	**12,865**
Accruals and other payables	**12,881**	**-**	**12,881**
	1,361,072	**12,865**	**1,373,937**
31 December 2021			
Insurance and other payables	355,308	-	355,308
Insurance contract liabilities	1,247,134		1,247,134
Reinsurance deposits retained	28,198	-	28,198
Provision for employees' end of service benefits	-	41,512	41,512
Accruals and other payables	14,567	-	14,567
	1,645,207	41,512	1,686,719

27 Insurance and financial risk (continued)

Insurance risk (continued)

Liquidity risk (continued)

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

	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000
31 December 2022				
Property and equipment	**-**	**-**	**761,120**	**761,120**
Investment properties	**-**	**-**	**83,352**	**83,352**
Intangible assets	**-**	**-**	**144**	**144**
Statutory deposits	**-**	**-**	**10,000**	**10,000**
Financial assets carried at FVTOCI	**-**	**466,095**	**-**	**466,095**
Insurance receivables	**203,269**	**-**	**-**	**203,269**
Reinsurance contract assets	**884,787**	**-**	**-**	**884,787**
Other receivables and prepayments	**25,499**	**-**	**-**	**25,499**
Term deposits	**-**	**168,092**	**-**	**168,092**
Cash and cash equivalents	**88,347**	**-**	**-**	**88,347**
	1,201,902	**634,187**	**854,616**	**2,690,705**

	Less than one year AED'000	More than one year AED'000	No maturity date AED'000	Total AED'000
31 December 2021				
Property and equipment	-	-	773,767	773,767
Investment properties	-	-	78,242	78,242
Intangible assets	-	-	362	362
Statutory deposits	-	-	10,000	10,000
Financial assets carried at FVTOCI	-	451,758	-	451,758
Insurance receivables	218,105	-	-	218,105
Reinsurance contract assets	1,078,256	-	-	1,078,256
Other receivables and prepayments	65,947	-	-	65,947
Term deposits	-	158,972	-	158,972
Cash and cash equivalents	152,258	-	-	152,258
	1,514,566	**610,730**	**862,371**	**2,987,667**

28 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities. Financial assets consist of statutory deposits, investments carried at fair value through other comprehensive income, insurance receivables, deposits, bank balances and cash, and certain other assets. Financial liabilities consist of insurance payables, lease liabilities and certain other liabilities.

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

28 Fair value of financial instruments (continued)

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

	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2022				
Investments carried at fair value through other comprehensive income	**463,516**	**-**	**2,579**	**466,095**
31 December 2021				
Investments carried at fair value through other comprehensive income	449,179	-	2,579	451,758

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

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

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	Fair value as at 31 December 2022 AED'000	Fair value as at 31 December 2021 AED'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Quoted equity investments – FVTOCI	**311,555**	301,245	Level 1	Quoted bid prices in an active market.	None	N/A
Quoted debts instruments – FVTOCI	**151,961**	147,934	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity investments – FVTOCI	**2,579**	2,579	Level 3	Adjusted net assets valuation method after adjusting for certain components in financial information of underlying companies.	Net assets value	Higher the net assets value of the investees, higher the fair value

29 Segment reporting

29.1 Segment revenue and results

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

The following summary describes the two main business segments:

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

	2022			2021		
	Underwriting AED'000	**Investments AED'000**	**Total AED'000**	Underwriting AED'000	Investments AED'000	Total AED'000
Segment Revenue	**1,060,963**	**41,974**	**1,102,937**	1,344,417	32,587	1,377,004
Segment result	**100,988**	**45,755**	**146,743**	131,893	35,850	167,743
Unallocated expenses	**-**	**-**	**(83,605)**			(84,489)
Profit for the year			**63,138**			83,254

29.2 Segment assets and liabilities

	As at 31 December 2022			As at 31 December 2021		
	Underwriting AED'000	**Investments AED'000**	**Total AED'000**	Underwriting AED'000	Investments AED'000	Total AED'000
Segment assets	**1,874,819**	**727,539**	**2,602,358**	2,136,437	698,972	2,835,409
Unallocated assets	**-**	**-**	**88,347**	-	-	152,258
Total assets	**1,874,819**	**727,539**	**2,690,705**	2,136,437	698,972	2,987,667
Segment liabilities	**1,348,191**	**12,881**	**1,361,072**	1,630,640	14,567	1,645,207
Unallocated liabilities	**-**	**-**	**12,865**	-	-	41,512
Total liabilities	**1,348,191**	**12,881**	**1,373,937**	1,630,640	14,567	1,686,719

29 Segment reporting

29.3 Revenue from underwriting departments

The following is an analysis of the Group's revenues (gross written premiums, commission income and other underwriting income) classified by major underwriting departments.

	2022	2021
	AED'000	AED'000
Employee benefits, medical and personal assurance	**502,913**	763,191
General accident	**147,117**	126,719
Fire and allied perils	**124,239**	185,896
Oil and gas	**118,785**	114,569
Motor	**105,498**	93,947
Marine and aviation	**60,814**	58,478
Life	**1,597**	1,617
	1,060,963	1,344,417

There were no transactions between the business segments during the year.

30 Subsequent events

There have been no events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended 31 December 2022.

31 Approval of consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 13 February 2023.

Al Ain Ahlia Insurance Co.

شركة العين الأهلية للتأمين

Incorporated in Abu Dhabi by Law (18) of the year 1975, and Under Registration No. 3 dated 8/8/1984 And Subject to the Provisions of the Insurance Laws and Regulations Paid Capital AED 150,000,000

Since 1975

تأسست في أبو ظبي بموجب القانون رم (18) لسنة 1975 ومسجلة تحت رقم 3 في 1984/8/8 وتخضع لأحكام قانون تنظيم أعمال التأمين رأس المال المدفوع 150,000,000 درهم

GOVERNANCE REPORT OF THE YEAR 2022

Approved by the Board of Directors
In the Board Meeting (01/2023) held on 13/02/2023

First: Practices of Corporate Governance:

1. **Application of the Governance Principles:**

- **AL AIN AHLIA INSURANCE COMPANY** was one of the companies that interacted with the intention of the financial market relating to the application of the laws governing the corporates (Corporate Governance). Since 2005, when **AL AIN AHLIA INSURANCE COMPANY** was asked to do so, it gave notes regarding this matter and ended up supporting all the endeavors that aim at coping with the latest administrative and ownership methods, the application of effective practices in relation to the institutional development modernization to face the challenges, achieve constant development and methodological approaches and professional skills compatible with the standing social and economic fabric of the country and its privacy. The application of governance, with its leading advantages in change and restructure, promises the enhancement of performance, the continuation, risk reduction, supporting the responsibility, transparency and taking into account the shareholders' rights. Therefore, the Company's Board of Directors takes all of that into the consideration.
- Based on the aforementioned, the Company is committed to apply the rules of disclosure and transparency in order to strengthen confidence. That is why on 19/04/2010 the Company's Board of Directors decided to apply fully the system of governance controls, in accordance with the provisions of Ministerial Resolution No. (518) of the year 2009.

2. **Implementation of the Governance Rules:**

- The Company as well is committed and works under the rules of governance controls, contained in the Resolution No. (3/RM) 2020 of the Chairman of the Board of the Securities and Commodities Authority regarding the standards of institutional discipline and the governance of public joint-stock companies and its amendment which replaces of the Resolution No. (7/RM) 2016 and the Ministerial Resolution No. (518/2009). Also, the Company started with implementation of the Governance regulations issued by CBUAE and enforced at 15/12/2022.

3. Implementation of the Governance Rules issued by CBUAE:

- The Company as well is committed and applied the updated CBUAE Governance rules for the Insurance Companies and enforced by CBUAE on 15/12/2022.

<u>Second</u>: <u>Transactions Securities of Board Members:</u>

- The provisions and resolutions of the Securities and Commodities Authority frame the transactions of board members and any employee familiar with the Company's basic data including Article No. (14) of the Resolution No. (2) of the year 2001 by the Authority's Board of Directors, regarding the system of trading, clearing, settlements, transfer of ownership and custody of securities. On the other hand, the Board Members and employees are banned to trade in the shares of the Company, the parent company, subsidiary company, or affiliated company in short-time limits, whether on a daily or a weekly basis. In addition, they are banned to trade in these shares to dilute the rest of the investors and to affect the Company's prices, whether directly or indirectly. They are banned as well to trade in the Company's shares when it comes to their knowledge of any important events or resolutions aim at affecting the price of the Company's shares. In all cases, the Company's board members, the general manager, the senior executives, or any employee familiar with the Company's material information's shall not transact with the Company's securities, Parent Company, The Subsidiary and Sister or the Affiliate of the Company on his own or on behalf of others, during the following periods:
    - Ten (10) working days prior to the announcement of any material information's, unless the information is a result of emergency or sudden events.
    - Fifteen (15) days prior to the end of the quarterly, semi-annual or annual financial period, until disclosure of the financial statements.

- **Statement of ownership and transactions in the Company's securities by the board members, their spouses and their children during 2022:**

In accordance with the disclosure system and pursuant to Article No. (36) of the disclosure and transparency system issued by Securities and Commodities Authority, and in relating to the e Service Notification of Abu Dhabi Securities Market, the stock ownership and trading transactions of the Company's shares by the Board Members and their first-degree relatives of the year 2022 are as follows:

Serial No.	Name	The position/relationship	Shares Owned On 31/12/2022	The Total Sale	The Total Buying
1	MOHAMED JOUAN RRASHED AL BADIE AL DHAERI	Chairman of Board of Directors	1.542.307	-	-
	MOZA AYED JABIR AL MAZROUI (WIFE)	Wife of the Chairman of the Board of Directors	27.780	-	-
	AHMED MOHAMED JOUAN RASHED AL BADIE AL DHAERI (SON)	Son of the Chairman of the Board of Directors	749.812	-	-
	MAHA MOHAMED JOUAN RASHED AL BADIE AL DHAERI (DAUGHTER)	Daughter of the Chairman of the Board of Directors	8.730	-	-
	FARIS MOHAMED JOUAN RASHED AL BADIE AL DHAERI (SON)	Son of the Chairman of the Board of Directors	50.000	-	-
2	KHALID MOHAMED JOUAN RASHED AL BADIE AL DHAERI	Vice Chairman of the Board of Directors	818.216	-	-
4	SHEIKH ZAYED BIN SULTAN AL NAHAYAN	Member of the Board of Directors	100.000	-	-
3	SAEED AHMED OMRAN AL MAZROUI	Member of the Board of Directors	598.750	-	-
5	GHAITH HAMMEL BIN KHADIM AL GHAITH AL QUBAISI	Member of the Board of Directors	100.658	-	-
	HAMDA KHALIFA FARAIH AL QUBAISI (MOTHER)	Mother of Mr. Ghaith Hammel Bin Khadim Al Ghaith Al Qubaisi	98.000	-	-
6	MOHAMED ABDULJABBAR ABDULMOHSEN AHMED ALSAYEGH		-	-	-
7	FAYSAL JASIM MOHAMED AL KHALUFI		-	-	-

Third: Board of Directors Composition:

1. **Statement of the current Board of Directors composition according to the categories of its members:**

The board of directors currently consists of seven members elected by the General Assembly and the duration of board membership is three years.

Serial No.	Name	Category (EXECUTIVE, NON-EXECUTIVE, AND INDEPENDENT)	Expertise/Qualifications	Category	Duration of Membership (since)	The membership, positions of Board Directors in other joint stock companies	Their positions, in important supervisory, governmental, and business entities
1)	**Mr. MOHAMED JOUAN RRASHED AL BADIE AL DHAERI**	Chairman of Board of Directors NON-EXECUTIVE / NON-INDEPENDENT	- Businessman - Experience in the insurance, banking, and business sectors	Non-executive / Non-independent	Since 1976	• Chairman of Abu Dhabi National Industrial Projects (ADNIP) previously. • Member of the Board of Directors of the National Bank of Abu Dhabi (previously) From 1968 to 2009.	• Owner and major shareholder in many real estate, tourism and oil projects. • Founder and owner of Al-Badi Group since 1967. • A former member of the Chamber of Commerce and Industry of Abu Dhabi.
2)	**Mr. KHALID MOHAMED JOUAN RASHED AL BADIE AL DHAERI**	Vice Chairman of the Board of Directors NON-EXECUTIVE / NON-INDEPENDENT	• Businessman • Master of Science in Financial Management from George Washington University • Experience in insurance, investment banking and projects.	Non-executive / Non-independent /	Since 2006	• Secretary of the Board of Directors of the National Bank of Abu Dhabi (formerly) • Deputy General Manager of Investment Banking Sector at National Bank of Abu Dhabi (formerly) • Head of the Asset Management, Funds and Portfolios Management Group at National Bank of Abu Dhabi (formerly)	• Member of the Board of Directors of the Abu Dhabi Chamber of Commerce and Industry (formerly) • Chairman of the Emirates Insurance Association • Chairman of the Executive Council of the Gulf Insurance Federation.

3)	**SHEIKH ZAYED BIN SUROOR AL NAHYAN**	Member of the Board of Directors NON-EXECUTIVE / INDEPENDENT	- Businessman	Non-executive / Independent	Since 2021	• Businessman	• Member of the Board of Directors of Abu Dhabi Commercial Bank (ADCB)
4)	**Mr. SAEED AHMED OMRAN AL MAZROUI**	Member of the Board of Directors NON-EXECUTIVE/ INDEPENDENT	- Businessman	Non-executive / Independent	Since 2021	• Businessman	• Chairman Of Omran Group
5)	**Mr. GHAITH HAMMEL BIN KHADIM AL GHAITH AL QUBAISI**	Member of the Board of Directors NON-EXECUTIVE/ NON-INDEPENDENT	- Businessman - Experienced in the field of investment and real estate - Board Member in Commercial Bank International - CBI	Non-executive / Non-independent	Since 2003	• Vice-Chairman of the Board of Directors of Al Ghaith Holding. • Board Member of MARINE DREDGING COMPANY. (formerly) • Chairman of PRESTIGE JET for private aviation. (formerly)	• Member of National Consultative Council of the emirate of Abu Dhabi • Board Member of Commercial Bank International CBI • Board Member of Abu Dhabi Emiratization Council (formerly)
6)	**MOHAMED ABDUL JABBAR ABDULMOHSEN AHMED ALSAYEGH**	Member NON-EXECUTIVE / INDEPENDENT	Bachelor of Finance from Northeastern University, Boston, USA.	Non-executive / Independent	Since 2018	• Financial expert in capital markets. • Businessman who runs many private companies.	• Senior Dealer in the account's management and financial services at Abu Dhabi Investment Council Co.
7)	**FAYSAL JASIM MOHAMED AL KHALUFI**	Member NON-EXECUTIVE/ INDEPENDENT	Bachelor of Business Administration.	Non-executive / Independent	Since 2018	• Investment expert.	• - Head of investments at Department of Private Ownership, Abu Dhabi Investment Council Co.

2. **Statement of women's representation in the Board of Directors in 2022:**
   There are no women members at the Company's Board of Directors

3. **A statement of the reasons why no women were nominated for the membership of the Board of Directors:**
   No female members have run for the 2022 elections of the Company's Board of Directors. Noting that the members of the Company's Board of Directors should be, in accordance with the Company's Articles of Association, one of the Company's shareholders, as well as being subject to the other conditions and requirements of the governance resolution regarding the Board of Directors member.

4. **The Total remuneration paid in 2022 to the Members of the Board of Directors for the financial year 2021:**
   Remuneration of Board of Directors Members are determined based on the provisions of Article No. (21) of the Governance Resolution and Article No. (169) of the Commercial Companies Law No. (2) of the year 2015, which are in force at the time when the meeting of General Assembly is held and approves the proposal of the Board of Directors on 16/02/2022. Whereas, the remuneration of the members of the Board of Directors consists of a percentage of the net profit, in all cases it shall not exceed 10% of the net profit for the ended fiscal year, after the deduction of depreciation and reserve.
   In execution of the aforementioned, the remuneration of the Board of Directors should be determined through a proposal or a recommendation of the Board of Directors and submitted to the General Assembly of the Company. In all cases, it shall not exceed 10% of the net profit in accordance with the above-mentioned controls. In 2022, the total paid remuneration for members of the Board of Directors on finance **year ended 2021 was AED 9,250,662 (Excludes 5% VAT)**.

5. **The Total remuneration Proposed to be paid to the members of the Board of Directors for the year 2022:**
   As for the fiscal year 2022, the distribution of remuneration of the Board of Directors has not yet been completed, whereas the remuneration will be presented to the General Assembly of the Company 2023, which has the authority to refuse or approve them. It is expected that the Board of Directors' remuneration proposal for 2022 will be AED 7,015,350 up to 10% in accordance with the provisions of Article No. (171) of the Decree of the Federal Law No. (32/2021) regarding the Commercial Companies Law.
   - while members of the Board of Directors do not receive any allowances for attending Board meetings.

- **As for the Board Committees and** according to the governance rules, the Board Member shall receive an amount of AED 4,000 for attending each committee (Audit, Risk and Nomination & Remuneration, meeting, as well as the amount of AED 10,000 for attending meeting of the Real Estate & Investment Committee, in addition to AED 8,000 for the transportation of the Board Member outside the city of Abu Dhabi.

6. **Statement of the details of allowances for attending the sessions of the committees derived from the BOD, which were paid to the BOD members for the fiscal year 2022:**

Committee Meetings Summary for 2022	Committee Type				Total
	Audit	Nomination & Remuneration	Risk	Real-estate & Investment	
No. of meetings	6	9	4	16	**35**
Mr. Khaled Al Badie	48,000	-	48,000	240,000	**336,000**
Mr. Ghaith Bin Hamel Al Ghaith	-	76,000	48,000	240,000	**364,000**
Mr. Mohd Abduljabar Alsayegh	48,000	76,000	48,000	240,000	**412,000**
Mr. Fayal Jasem Al Khaloofi	48,000.00	76,000.00	-	-	**124,000**
Total	**144,000**	**228,000**	**144,000**	**720,000**	**1,236,000**

7. **The Board Member did not receive in 2022 any additional allowances, salaries or fees other than the allowances for attending the committees.**

8. Statement of the number of meetings of the Board of Directors for the year 2022, their dates and number of attendances:

The Board of Directors of AL AIN AHLIA INSURANCE COMPANY held the number of (4) meetings over the past year, in the following details:

Date of the meeting	No of Attendees	Number of Attendance by Proxy	Name of Absent Members
16/02/2022	6	None	HH Sheikh Zayed Bin Surror apologized for not attending and the Board noted that.
30/05/2022	7	None	None
06/09/2022	7	None	None
12/12/2022	7	None	None

9. Number of board resolution passed during the 2022 fiscal year along with its meeting convention dates:

No passing decisions were issued.

10. Statement of the tasks and function delegated by the Board of Directors to the Executive Management during the 2022 fiscal year:

In addition to the powers of the General Manager of the Company stipulated in Articles No. (27) and (28) of the Company's Articles of Association, whether by running the Company's business, defending its rights, representing it before others, empowering lawyers and appealing against the judgments. As well as the General Manager Mr. Mohamad Mazhar Hamadeh being authorized to sign on behalf of the Company in all administrative, technical and legal transactions, and has the right to authorize others to sign all or some of the foregoing authorization. He also has the right to appoint and dismiss employees, determine their salaries, allowances, promotion, transfer, and rules of discipline and to carry out all the work required by the Company's management according to its purposes.

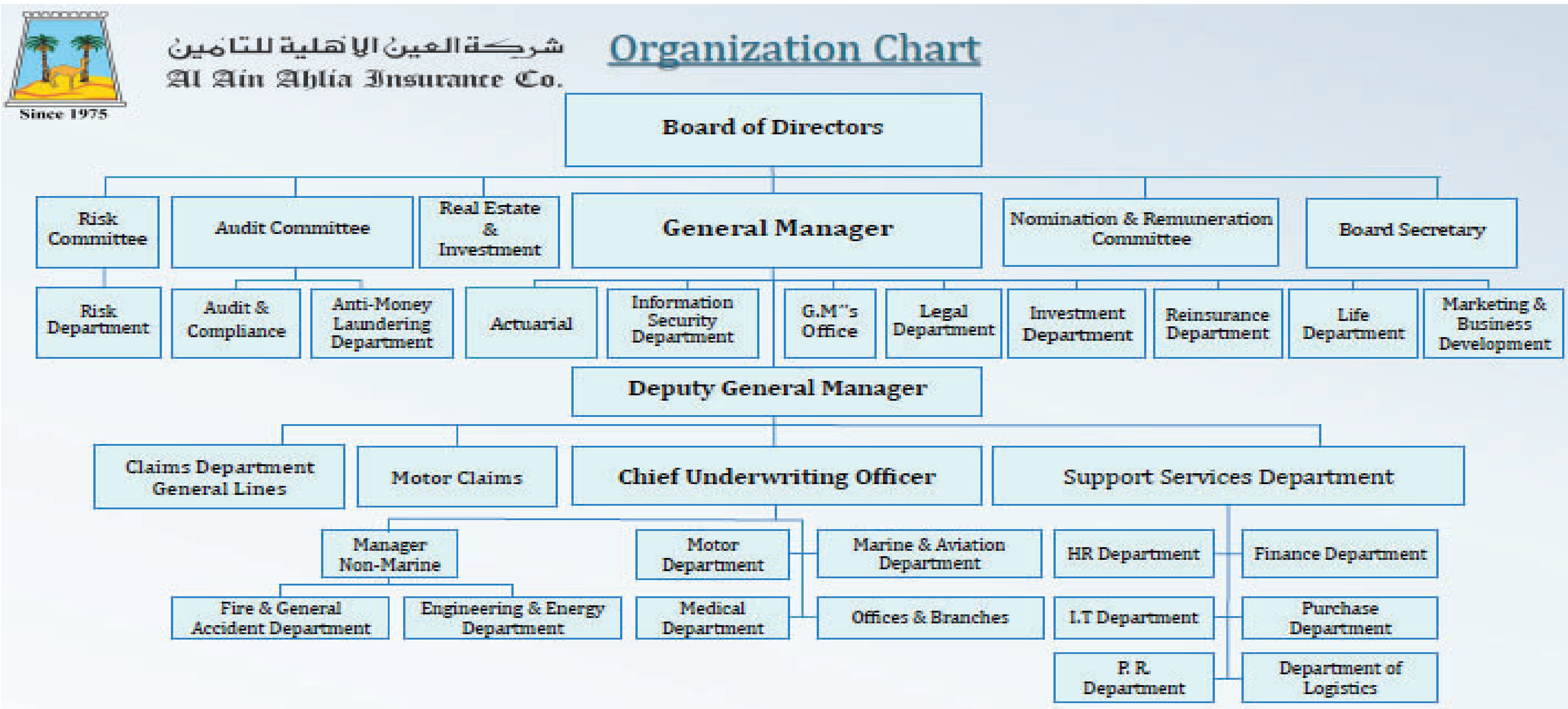
Name of the authorized person	Authorization validity	Authorization period
Mr. MOHAMMAD MAZHAR HAMADEH	**Administrative powers and authorized to sign on behalf of the Company.**	**Until 13/01/2026**

11. Statement of the details of transactions made with the related parties (stakeholder) during 2022:

No deals were done with related parties during 2022.

Table of related parties transactions for the year 2022			بيان بتفاصيل التعاملات التي تمت مع الأطراف ذات العلاقة خلال 2022:	
S No	Name English	قسط التأمين بالدرهم Insurance Premium (AED)	الاسم باللغة العربية	الرقم
1	Mohamed Jouan Rashed Albadi Aldhaheri	1,974	سعادة / محمد جوعان راشد البادي الظاهري	1
2	Khaled Mohamed Jouan Albadi Aldhaheri	-	سعادة / خالد محمد جوعان راشد البادي الظاهري	2
3	H.H. Sheikh Zayed Bin Suroor Bin Mohd. Al Nahyan		سعادة / الشيخ زايد بن سرور بن محمد آل نهيان	3
4	Ghaith Hammel Khadim Alghaith Alqubaisi	68,026.64	سعادة / غيث هامل خادم آل غيث القبيسي	4
5	Saeed Ahmed Omran Almazrouei		سعادة / سعيد أحمد عمران المزروعي	5
6	Mohamed Abduljabbar Abdulmohsen Ahmed Alsayegh	-	سعادة / محمد عبد الجبار عبد المحسن أحمد الصايغ	6
7	Faysal Jasim Mohamed Al Khalufi	-	سعادة / فيصل جاسم محمد الخلوفي	7

12. Corporate Structure:



13. **Statement of Total salaries and bonuses paid to the GM and the managers in the year 2022:**

SR	Designation	D.O.J.	Total Salaries Expenses Paid For The Year 2022 (AED)	Total Bonuses Paid in the year 2022 (AED)	Other cash / in-kind rewards for the year 2022 (AED)
1.	General Manager	20-03-1976			
2.	Public Relation DEPT MANAGER	04-03-2000			
3.	Human Resources DEPT MANAGER	27-05-2007			
4.	LEGAL DEPT MANAGER	01-09-2020			
5.	MARINE DEPT MANAGER	09-08-2022			
6.	MOTOR DEPT MANAGER	01-08-1988			
7.	MOTOR CLAIMS DEPT MANAGER	30-07-1994			
8.	FINANCE MANAGER	01-05-2007	12,220,221	Not decided yet	1,121,269.25
9.	INTERNAL AUDIT Manager	01-03-2010			
10.	IT MANAGER	08-03-2015			
11.	Non-Motor Claims Manager	04-04-2022			
12.	NON-MARINE MANAGER	11-04-2022			
13.	Chief Underwriting Officer	08-01-2019			
14.	REINSURANCE Manager	01-08-2022			
15.	LIFE INSURANCE	04-07-2018			
16.	DUBAI Branch Manager	15-01-1995			
17.	AL AIN Branch Manager	01-02-1997			

Fourth: External Auditors' Fees: Grant Thornton

Grant Thornton:

- The external audit company is independent of the company and the board of directors, the auditors perform the audit works, verifying the accuracy of the financial statements and monitoring the company's accounts for the fiscal year in which it was appointed. In order to perform its mission, the auditors have the right to review all the company's books, records, and documents at all times and to request data and clarifications that it sees fit. It is necessary to obtain it and to verify the company's assets and obligations.
- Grant Thornton is one of the world's leading independent audit, tax, and advisory firms.
- Grant Thornton companies operate in more than 130 countries and have approximately more than 58,000 employees.
- Grant Thornton is one of the leading business advisors helping critical organizations unleash their growth potential. Its brand is also recognized on a global level, as one of the major global accounting organizations.
- Grant Thornton Company has extensive experience in the field of audit, tax and consulting services, which made it qualified to provide clients with a series of consultations through its services. The company has won many international awards.
- The external auditor shall attend the General Assembly meeting and verify the procedures followed in calling for that meeting. He shall express his opinion on the Company's budget and on any irregularities that may have occurred during the fiscal year regarding the provisions of the Company's Articles of Association or the Companies Law or the resolutions of the General Assembly.

1. Auditors Fees: Grant Thornton took over the Company's external audit of the year 2021, which was selected in accordance with the shareholders' resolution at the meeting of the General Assembly in 2021, Where renewed to them at the General Assembly meeting in 2022, their annual fees totaling AED 300,000/. and the same amount for the third quarter.

Name Of Audit Office	Grant Thornton
Partner Auditor	**Mr. Samer Hijazi**
Number of years served as an external auditor for the Company	**One Year**
The number of years that the partner auditor spent auditing the company's accounts	**One year**
Total fees for the auditing the financial statements of 2022 (in AED)	**AED 300,000/=**
The fees and costs of the special services other than auditing of the financial statements in 2022 (in AED), and in case there are no other fees, this shall be expressly stated.	**None**
The details and nature of other services provided (if any), and in case there are no other services, this shall be expressly stated.	**None**
A statement of the other services performed by an external auditor other than the Company's auditor in 2022 (if any), and in case there is no another auditor, this shall be expressly stated.	**None**

2. **A statement of the reservations made by the company's external auditor in the interim and annual financial statements for 2022.**
   No reservations made by the company's auditor.

Fifth: **Statement of Board Committees:**

1. **Audit Committee**

- **Mr. FAYSAL JASIM AL KHALUFI,** Audit Committee Chairman's acknowledges his responsibility for the Committee policy in the company, review of its work mechanism and ensuring its effectiveness. The purpose of this committee is to support the role of the Board of Directors in its responsibilities to represent shareholders in relation to the audit of financial information and corporate governance matters on a regular basis to ensure the effective use of available resources. As well as the supervision and follow-up of the independence of the external auditor, the objectivity and the review of internal audit systems.

2. **The Audit Committee consists of the following Excellences:**

HE/ FAYSAL JASIM AL KHALUFI — **Chairman**

HE/ KHALID MOHAMED AL BADIE AL DHAHERI — **Member**
HE/ MOHAMED ABDUL JABBAR AL SAYEGH — **Member**

- The Committee shall carry out all the specialties and tasks stipulated in Article No. (61) of the Resolution of the Chairman of the Board of Directors of the Securities and Commodities Authority No. (3/R.M) of the year 2020.

The Audit Committee held (6) meetings in the presence of all its members during 2022 with the following dates:

Meeting Number	Date
First Meeting	11/02/2022
Second Meeting	09/05/2022
Third Meeting	22/07/2022
Fourth Meeting	25/08/2022
Fifth Meeting	28/10/2022
Sixth Meeting	18/11/2022

3. **Nomination & Remuneration Committee:**

- **Mr. MOHAMED ABDUL JABBAR AL SAYEGH**, Nomination & Remuneration Committee Chairman's acknowledges his responsibility for the Committee policy in the company, review of its work mechanism and ensuring its effectiveness.
- The main purpose of the Nomination and Remuneration Committee is to define policies and criteria of the Board of Directors elections, in addition to periodic review of the capabilities and skills required in the Board, the preparation of human resource policies and training. Ensuring the independence of independent members and ensuring that there are no conflicts of interest in the membership of the Boards of Directors and other companies, as well as determining compensation and bonus policies for Board members and senior executives.
- **The Nomination and Remuneration Committee consists of the following excellence's:**

HE/ MOHAMED ABDUL JABBAR AL SAYEGH — **Chairman**
HE/ GHAITH HAMMEL AL GHAITH AL QUBAISI — **Member**
HE/ FAYSAL JASIM AL KHALUFI — **Member**

- **The Committee shall carry out all the specialties and tasks stipulated in Article No. (59) of the Resolution No. (3/R.M) of the year 2020 of the Chairman of the Board of Directors of the Securities and Commodities Authority.**
- **The Nomination and Remuneration Committee held (9) meetings in the presence of all its members during 2022 with the following dates:**

Meeting Number	Date
First Meeting	11/02/2022
Second Meeting	04/04/2022
Third Meeting	21/04/2022
Fourth Meeting	06/07/2022
Fifth Meeting	22/07/2022
Sixth Meeting	25/08/2022
Seventh Meeting	14/10/2022
Eighth Meeting	18/11/2022
Ninth Meeting	23/12/2022

4. **Risk Committee:**

- **Mr. GHAITH HAMMEL AL GHAITH AL QUBAISI**, Risk Committee Chairman's acknowledges his responsibility for the Committee policy in the company, review of its work mechanism and ensuring its effectiveness.
- The Risk Committee formed by the resolution of the Board in the Board meeting No. (144) dated 28/02/2021, and the main purpose of the Risk Committee is to develop comprehensive strategies and policies for risk management that are consistent with the nature and size of the company's activities, and to monitor their implementation, review and update based on internal changing factors. and external affairs of the company, maintaining an acceptable level of risks that the company may face, ensuring that the company does not exceed this level, supervising the company's risk management framework, evaluating the effectiveness of the framework and mechanisms for identifying and controlling risks, and providing guidance to management – as needed – to help it improve its risk management practices and /or mitigating certain risks and obtaining a guarantee from the

executive management and the internal audit that the risk processes and systems are working effectively with the presence of appropriate controls and adherence to the approved policies, in addition to the presence of periodic reports on risks in the company.

- **The Risk Committee consists of the following excellence's:**

HE/ GHAITH HAMMEL AL GHAITH AL QUBAISI	**Chairman**
HE/ KHALID MOHAMED AL BADIE AL DHAHERI	**Member**
HE/ MOHAMED ABDUL JABBAR AL SAYEGH	**Member**
HE/ MOHD MAZHAR HMAMDEH	**Member**

- **The Committee shall carry out all the specialties and tasks stipulated in Article No. (59) of the Resolution No. (3/R.M) of the year 2020 of the Chairman of the Board of Directors of the Securities and Commodities Authority.**
- **The Risk Committee held (4) meetings in the presence of all its members during 2022 with the following dates:**

Meeting Number	Date
First Meeting	22/01/2022
Second Meeting	21/04/2022
Third Meeting	22/07/2022
Fifth Meeting	14/10/2022

5. **Real Estate and Investment Committee:**

- **Mr. Khalid Mohamed Jouan Al Badie Al Dhaheri**, Real Estate and Investment Committee Chairman's acknowledges his responsibility for the Committee system in the company, review of its work mechanism and ensuring its effectiveness.
- The Board formed the Real Estate and Investment Committee by the diction Board of Director No. (73) dated 15/04/2007 in order to devise and observe the investment strategy as intended and submitted suggestion on different investment field without canceling its powers or the authority of the Chairman of the Board of Directors in accordance with the Articles of Association of the Company and resolutions of the General Assembly.

- **and Investment Committee consists of the following Excellency's:**

  HE/ KHALID MOHAMED AL BADIE AL DHAHERI — **Chairman**
  HE/ GHAITH HAMMEL AL GHAITH AL QUBAISI — **Member**
  HE/ MOHAMED ABDUL JABBAR AL SAYEGH — **Member**
  MR/ MOHAMMAD MAZHAR HAMADEH — **Member**

  The Real State and Investment Committee held (16) meetings in the presence of all its members during 2022 with the following dates:

21 January	**11 February**	**11 March**	**21 April**	**12 May**	**03 June**	**13 June,**	**28 June**
22 July	**25 August**	**14 October**	**, 21 October**	**28 October**	**02 November**	**18 November**	**23 December**

Sixth: Committee of follow-up and supervision on the transactions of Insiders:

1. Pursuant to Article No. (33) of the Resolution No. (3/R.M) of the year 2020 of the Chairman of the Board of Directors of the Securities and Commodities Authority, in relation to the criteria of institutional discipline and the governance of public joint stock companies. On 14/06/2016, a committee was formed to assume responsibility for managing, following up and supervising the transactions of Insiders and their properties, and maintaining a register for them. Whereas the committee consists of:

- **Mr. Yaser Ibrahim Hmedan** — **General Legal Counsel**
- **Mr. Hassan Housam Al Sayed** — **Manager of the Internal Audit Department - Compliance officer**
- **Mr. Mohammad Kashif Khan** — **Finance Manager**

2. Yaser Ibrahim Hmedan, Hassan Housam Al Sayed and Mohammad Kashif Khan acknowledge their responsibility for the follow-up and supervision system on transaction of the insiders in the company, review of its work mechanism and clarifying and ensuring its effectiveness.

3. **The Committee has accomplished during 2022**
The Committee held its meeting on 21/12/2022 and reviewed the e-mail sent by Messrs./ Abu Dhabi Securities Exchange dated 21/09/2022 Regarding the identification of the list of Insiders and were provided with The Abu Dhabi Securities Exchange in the list of insiders.

Seventh: **<u>Internal Audit System:</u>**

1. The Company's Internal Audit Department exercises its roles in accordance with the provisions of Article No. (55) of the Resolution No. (3/R.M) of the year 2020 of the Chairman of the Board of Directors of the Securities and Commodities Authority. Consequently, it has sufficient independence to perform its roles and is directly subordinate to the Board of Directors, who acknowledge his responsibility for the Internal Audit System, its audit and effectiveness.
2. **Mr. Hassan Housam Al Sayed** is the Director of the Internal Audit Department, <u>who has also been assigned as a Compliance Officer</u> since 2010. He has accounting and management experience in a number of companies in addition to working as an external auditor in the Kingdom of Bahrain.
3. The Company adopts the application of international standards of internal audit in order to achieve the required purposes efficiently and with less economical cost, in relation to the basics of internal audit to ensure the following:
   - **A-** Plausibility and compatibility of information and data.
   - **B-** The extent of compliance with policies, plans, procedures, regulations, laws and instructions.
   - **C-** The extent of the protection of the Company's assets and properties.
   - **D-** The extent to which activities, processes and programs are aligned with the specified strategic purposes and objectives, and to ensure the application of these activities, processes and programs by the supervisory bodies according to the specified plans and objectives.
   - **E-** Emphasizing preventive control, intended towards desired achievements and encourages the repetition of its performance, in order to prevent undesired events and correct improper actions.
   - **F-** Emphasizing the integrity and efficiency of the internal control elements represented in the following:
     - Regulatory Authority.
     - Risk Assessment.
     - Internal Control Activities.
     - Information & Communications.
     - Control & Inspection.
4. The Internal Audit Department, represented by the Director of Internal Audit Department, is responsible for the following:
   - Preparing the annual control plan in coordination with the Audit Committee and the directors of the concerned departments or heads of the other divisions of the Company.

- Executing the approved internal audit plan as well as executing any other special tasks or projects requested by the Board of Directors.

5. The Director of the Internal Audit Department shall submit detailed reports to the Audit Committee and then to the Board of Directors on the evaluation of the internal control system, on a regular basis and when necessary and at any time, in accordance with the requirements of such evaluation to provide feedback and make suggestions to fill the gaps in the internal control system.
6. In 2022, the Company did not face any major problems to be dealt with by the Internal audit Department, which in case of occurrence; the Internal audit Department will deal with them properly and according to the nature of the problem, which may differ from one another in its causes and components. In addition to submitting reports with facts and solutions to the Board of Directors.
7. The Director of the Internal Audit Department is also assigned by the Board of Directors as the Compliance Officer to verify the compliance of the Company and its employees with the issued laws, systems, resolutions and regulations.
8. four reports were issued by the Internal Audit Department to the Board of Directors for the Year 2022.

Eighth: The Company did not commit any violations during the fiscal year of 2022.

Ninth: Code of Conduct:

The Company applies the system of the Code of Conduct, on the Board of Directors, the Higher Management and the employees. The Code of Conduct, which covers the general rules of ethics and covers a wide range of procedures and practices in conformity with all relevant legislation and local customs.

Tenth: Corporate Social Responsibility:

AL AIN AHLIA INSURANCE COMPANY has many social contributions and partnerships with community institutions and centers. In 2022, the Company, in order to enhance its external relations, supported and sponsored a number of events for governmental, social, and educational bodies with a total amount of AED 60.000 including an amount of AED 50,000 for the Emirates Traffic Safety Association and an amount of AED 10,000 to SAAED Association for prevention of traffic crashers to the Ramadan Initiative. In addition to the interest of the Company in preserving the safety of the environment by reducing the use of paper and reusing it and reducing water and electricity consumption.

Eleventh: General Information:

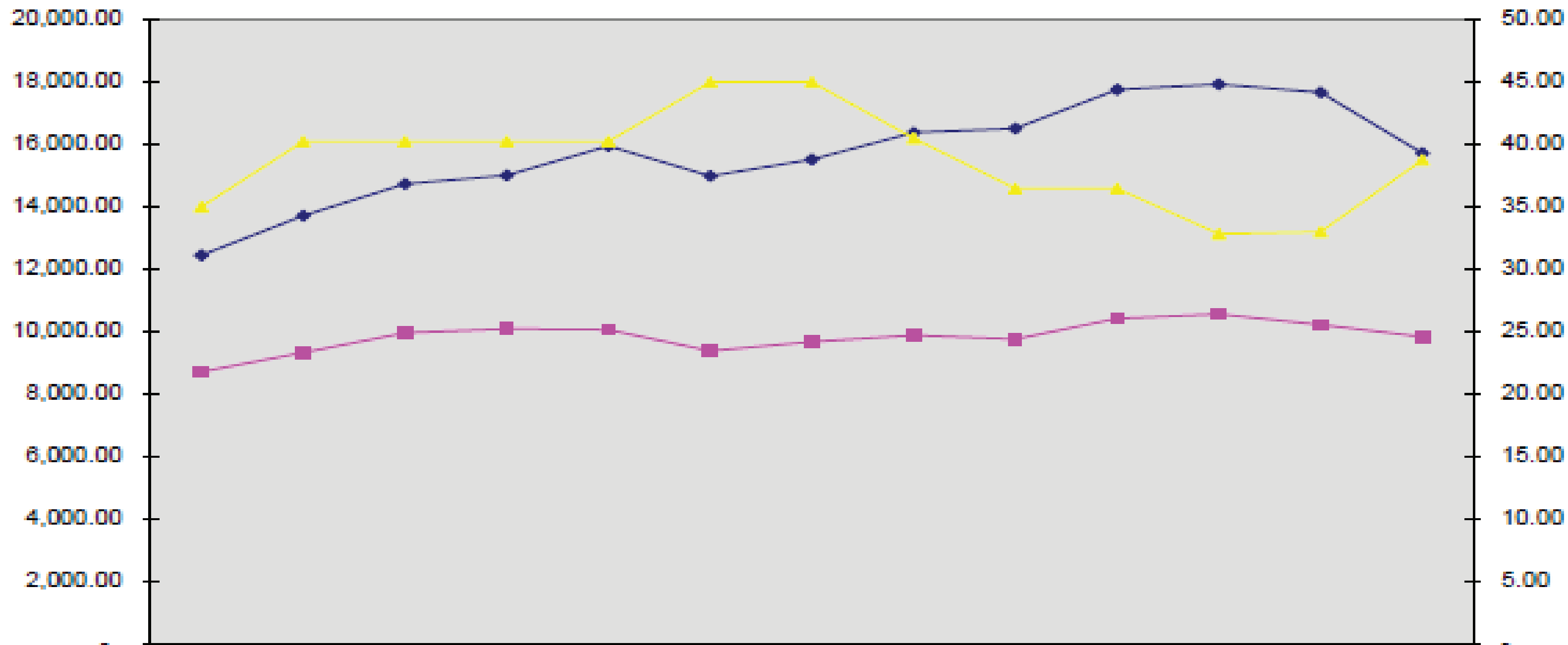
1. <u>A statement of the Company's share price on the Abu Dhabi Securities Exchange (closing price, highest price and lowest price) at the end of each month during the fiscal year 2022.</u>

Company's shares in the market (Highest Price & Lowest Price) at the end of each month during the year 2022

Month	High (52)	Low (52)	Close
Jan-2022	45.00	29.20	35.00
Feb-2022	45.00	29.20	40.24
Mar-2022	45.00	29.20	40.24
Apr-2022	45.00	29.20	40.24
May-2022	45.00	29.20	40.24
Jun-2022	45.00	29.20	45.00
Jul-2022	45.00	29.20	45.00
Aug-2022	45.00	32.82	40.50
Sep-2022	45.00	32.82	36.46
Oct-2022	45.00	32.82	36.46
Nov-2022	45.00	32.82	32.82
Dec-2022	45.00	32.82	33.00

2. <u>A statement of the comparative performance of the Company's shares with the general</u>

AAIC Share price against General Index and Financials Index - 2022



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
General Index	8,704.2	9,319.4	9,948.7	10,081.	10,054.	9,374.7	9,663.4	9,874.5	9,750.8	10,412.	10,552.	10,211.	9,828.9
Financials Index	12,445.	13,717.	14,728.	15,009.	15,948.	14,984.	15,516.	16,378.	16,511.	17,762.	17,934.	17,669.	15,717.
AAIC closing share price	35.00	40.24	40.24	40.24	40.24	45.00	45.00	40.50	36.46	36.46	32.82	33.00	38.77

3. **Distribution of Ownership of Equity (Individuals, Companies and Governments) on 31/12/2022, categorized as follows:**

Distribution of ownership of equity (Govt, Companies, Individuals) as at 31-12-2022

بيان بتوزيع ملكية المساهمين كما فى 31-12-2022 (افراد و شركات و حكومات) مصنفة على النحو التالى محلى وخليجى و عربى و اجنبى

Geographic Location	مؤسسات عامة Government			شركات Companies			افراد Individuals			المجموع Total		
	عدد المساهمين No. of Shareholders	سهم (الملكية) Ownership (share)	%	عدد المساهمين No. of Shareholders	سهم (الملكية) Ownership (share)	%	عدد المساهمين No. of Shareholders	سهم (الملكية) Ownership (share)	%	عدد المساهمين No. of Shareholders	سهم (الملكية) Ownership (share)	%
UAE	0	-	0.00	11	4,563,633	30.42	156	10,436,367.00	69.58	167	15,000,000	100
GCC	-	-	-	-	-	-	-	-	-	-	-	-
ARAB	-	-	-	-	-	-	-	-	-	-	-	-
FOREIGN	-	-	-	-	-	-	-	-	-	-	-	-

4. **A statement of shareholders holding 5% or more of the Company's capital as on 31/12/2022:**

Statement of shareholders who owns 5% or more of total capital of the company as at 31-12-2022

Name (Eng)	%	No. of Shares	Name (Arb)
Mamoura Diversified Global Holding PJSC	19.703	2,955,450	شركة المعمورة دايفيرسيفايد جلوبال هولدنغ (ش م ع)
Mohamed Jouan Rashed Albadie Aldhaheri	10.282	1,542,307	محمد جوعان را شد البادي الظاهري
Khaled Mohamed Jouan Albadie Aldhaheri	5.455	818,216	خالد محمد جوعان راشد البادي الظاهري
Total	35.44	5,315,973	

5. **Distribution of ownership of equity as at 31/12/2022:**

Distribution of ownership of equity as at 31-12-2022
بيان بتوزيع ملكية المساهمين كما في 31-12-2022

No. of shares ranging from and to	No. of shareholder	Total No. of shares	Percentage of total No. of shares
< 50,000	115	1,310,561	8.74%
50,000 - <500,000	46	6,347,274	42.327%
500,000 - <5000,000	6	7,342,165	48.94%
5,000,000 & above	0	0	0.000%
TOTAL	**167**	**15,000,000**	**100.000%**

6. **Controls of Investors Relationship:**

In 2015, in accordance with the requirements of the governance controls, the Company nominated a person who follow up the Investor relationship work which is now follow up by Mr. Khalid Walid Al Omari, to assume all tasks related to managing the Investors Relationship, in addition to creating a tab on the Company's website https://www.alaininsurance.com/Investor%20Relations_New.html for the Investors Relationship, noting that the contact data are as follows:

Company's Telephone No.	:	02/6119999
Mobile No.	:	050/4959501
Fax No.	:	02/4456685
Email of the authorized person	:	Khalid.omari@alaininsurance.com

7. **Special Resolutions that were presented in the 2022 General Assembly :**

Approving the proposal of the Board of Directors to make voluntary contributions for the purposes of community service to determine the parties to which these amounts will be allocated in accordance with the provisions of Article 244 of Federal Decree Law No. 32 of 2021 regarding commercial companies and the authorization of the Board of Directors or whomever the Board delegates to determine the entities to which these amounts are allocated after obtaining SCA approval.

8. **The Name of the Board Secretary and the Date of his appointment:**

Yaser Ibrahim Hmedan – he joined AAIC on 01/09/2020. Yaser is a lawyer and legal Consultant, he has a LLB, LLM. He has practiced as Lawyer and has experience in corporate law, insurance, governance, commercial law, the work of the board of directors and joint-stock companies, he worked with multiple local, Arab, and international entities. Among the tasks of his work is to carry out all the legal and administrative functions for board meetings, including preparing for meetings, informing members of the dates, providing them with information and developments in governance and corporate laws and various laws. His position is the main point of contact for all board members, preparing minutes and their drafts, and organizing the record of board disclosures in addition to all other required.

9. Highlights of the Company's significant events during the year 2022:

The Company did not encounter any significant events during 2022.

10. A statement of the deals carried out by the company that is equal to 5% or more of the company's capital during the year 2022.

There is deals carried out by the company that is equal to 5% or more of the company's capital during the year 2022

11. Statement of the Emiratization percentage in the Company at the end of 2020, 2021, and 2022:

The percentage of Emiratization at the Company reached.

2020	**17.07%**
2021	**15.00%**
2022	**18.00%**

12. Statement of projects and innovative projects and initiatives carried out by the Company or being developed during 2022 :

During the year 2022, the company started issuing the new life insurance product policy; "Family and School Care Package"

Al Ain Ahlia Insurance Co.
Incorporated in Abu Dhabi by Law (18) of the year 1975, and Under Registration No. 3 dated 8/8/1984 And Subject to the Provisions of the Insurance Laws and Regulations Paid Capital AED 150,000,000

Since 1975

شركة العين الأهلية للتأمين
تأسست في أبو ظبي بموجب القانون رم (18) لسنة 1975 ومسجلة تحت رقم 3 في 1984/8/8 وتخضع لأحكام قانون تنظيم أعمال التأمين رأس المال المدفوع 150,000,000 درهم

The Governance Report for the year 2022 signed on 13/02/2023:

Internal Audit Department Manager	Chairman of the Nomination & Remuneration Committee	Chairman of the Audit Committee	Chairman Of the Board Of Director
Hassan Housam Al Sayed	Mohamed Abdul Jabbar Al Sayegh	Faysal Jasim Al Khalufi	Mohamed Jouan Rashed Al Badie Al Dhaeri

Stamp:

شركة العين الأهلية للتأمين
أبوظبي - ا ع م
LEG
Abu Dhabi - U.A.E.
AL-AIN AHLIA INSURANCE CO.

Al Ain Ahlia Insurance Co.

شركة العين الأهلية للتأمين

Since 1975

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE REPORT 2022

ESG SUSTAINABILITY

Approved by the Board of Directors
In the Board Meeting (01/2023) held on 13/02/2023

Introduction:

- **Al Ain Ahlia Insurance Company (PJSC) always strives and seeks to maintain the pioneering approach in sustainability and to ensure its integration with the company's business and assure its application at all levels in accordance with the instructions of the Concerned Authorities, in addition to encourage the concerned and relevant parties to follow the approved mechanisms for creating added value in sustainability through the various fields of the company's businesses.**
- **Al Ain Ahlia Insurance Company exerts vigorous and deliberate efforts to develop the sustainability culture and create a state of comprehensive, integrated and transparent dialogue towards consolidating the sustainability principle.**
- **Issuing the Sustainability Report of 2022 is a continuation of the efforts and initiatives of Abu Dhabi Securities Exchange with the specialized Authorities in the State for adopting, supporting and promoting the best sustainability practices in Public Joint Stock Companies in accordance with the environmental, social standards ESG and in line with the Governance Guide issued by the Decision of His Excellency the Chairman of the Board of Directors of the Securities and Commodities Authority No. (3 / R.M of 2020) regarding the Governance Guide for Public Joint Stock Companies.**

Objective:

- **The efforts of Al Ain Ahlia Insurance Company are always focused on maintaining its pioneering role through its permanent and continuous cooperation with all Insurance Companies operating, within the Insurance Market in the State or companies that operate in the rest of the regional, Arab and international markets .**
- **The company also seeks the optimal application of the governance rules and compliance with the laws, regulations and decisions issued by the concerned Authorities, particularly the UAE Central Bank, the Securities and Commodities Authority and Abu Dhabi Securities Exchange.**
- **The company also seeks to strength the teamwork between the various Insurance Companies in the State through its continuous cooperation in the Emirates Insurance Association.**
- **The company was keen during the year 2022 to provide a healthy and safe work environment.**

Preserving Values and Promoting Innovation:

- **Our vision in Al Ain Ahlia Insurance Company as a pioneering national company has always guided to exert efforts in sustainability by embodying the values of cooperation, love, harmony and development that characterize the United Arab Emirates Society and the established values that also form the foundations on which all our activities are based.**
- **Our initiatives in the company started from investing in our employees and enhancing their insurance and practical knowledge, and through our fruitful and transparent cooperation with all our customers, which allowed enhancing the experience, setting solid rules and building a strong reputation in the customer service field and meeting their requests and requirements.**
- **The Company has followed an approach to encourage innovation, promote the principle of entrepreneurship, and apply best practices that are socially and environmentally responsible.**

Our Sustainability Approach:

- **Our sustainability approach does not always stop evolving, which allows us to continue to reinforce our responsibility, supervise our various capital flows and understand the interlinkages between what is best, in addition to our support in consolidating a comprehensive and integrated approach towards its various groups in terms of the decision-making and practices, and keeping our concentration focused on creating value in the short, medium and long term.**
- **This report represents an important part of our relentless efforts to open and transparent communication with relevant and concerned parties internally and externally, as well as being part of our internal measures to monitor operations and ensure full harmony between our operations and practices on the one hand, and our strategic vision on the other hand.**
- **The company shall be committed to prepare this report annually .**
- **The company is committed to prepare the financial statements in accordance with the International Financial Reporting Standards (IFRS 4) approved by the International Accounting Standards Board (IASB) and to publish them in accordance with the Regulatory Requirements of the Securities and Commodities Authority in the United Arab Emirates.**

Corporate Social Responsibility:

- **The company abides by its social responsibility by balancing its main businesses with the needs of the society, in which the company operates, and undertaking the management of social responsibility permanently .**
- **The company has undertaken many initiatives, including providing financial or moral support to specific groups of society and providing contributions in some community activities .**
- **The company also participated in the launching session of special label standards for gender balance for the Private Sector, which was the outcome of the Government Accelerator Team.**

Environmental, Social and Governance Standards:

- **Efficient Energy Use:**
  Based on the company's keenness on optimal use of energy and saving consumption in all fields in a manner that would have a good impact on the environment and health, the company, at the level of the General Administration or Branches, replaced lamps and lighting tools with modern types of low consumption, which was reflected in saving the consumption value and energy bills in addition to reducing emissions.
- **Water Conservation:**
  The company has monitored the water consumption and replaced some water distribution devices with modern types that work on the principle of reducing consumption in a manner that would be positively reflected on the environment and public safety.

Electronic System and Remotely Working:

- **The company developed its electronic systems and prepared the modern electronic system for the work of the specialized Departments and the connection between them. It speeds up the production process and handling claims.**
- **The company has prepared modern electronic applications for selling insurance policies through computers and mobile devices, in order to facilitate payment and obtaining the document electronically, quickly and safely.**
- **The company applies and follows the highest standards in electronic security and data protection in a confidential and effective manner.**
- **According to the procedures followed, the work environment in the company is now ready to work remotely when needed.**
- **Through implementing the electronic systems, the work environment in the company has become compatible with the global trends, especially the adoption of the green environment system and the reduction of paper consumption in order to preserve a clean and sustainable environment.**

Average Salaries between Men and Women:

- **The company follows a clear approach to the salary and wages policy on the basis of competence and experience in accordance with unified standards for both men and women.**

Social Diversity between the Genders:

- **The company is characterized by the social diversity between the genders and equating the percentage of male or female workers in various senior, medium and ordinary jobs.**

Emiratisation:

- **Emiratisation is a government initiative designed to encourage UAE nationals to work in all sectors including the private sector.**
- **Al Ain Ahlia Insurance is one of the insurance companies in the UAE that is dedicated to the supporting efforts to increase Emiratization rates and working towards in attaining the required ratios as part of Cabinet Resolution No. (5) on the implementation of the Emiratisation Strategy in the insurance and banking industries.**

Al Ain Ahlia Role in Emiratization 2020-2021-2022

- **To implement the Emiratization we at Al Ain Ahlia Insurance Company has always been at the forefront for the development of UAE Nationals by designing, implementing and monitoring efficient talented UAE Nationals for their future development.**
- **Our company has achieved the Emiratisation rate, of 18 % during the year 2022 and we achieved more than the targeted point given by the Central Bank (reached 148 points out of 141 points) . We also achieved our recruitment point target ie 8 points(recruitment of 8 UAE nationals with Bachelor degree)**
- **There was a drastic improvement in the recruitment of UAE nationals during the year 2022 when compared to 2021 & 2020**

Training of UAE Nationals

- **Department / Branch Managers identifies the need of training of UAE nationals based on their recommendation all UAE nationals where send for the training through EIBFS , During the year 2022 all most 95% of UAE national attended various training programs conducted by EIBFS.**
- **One of the UAE national has been nominated by the company to study for ICA certificate in Anti Money Laundering with 12 month Associate Membership**

- **Independence of the Board of Directors:**

- The company's Board of Directors consists of seven members who are citizens of the United Arab Emirates. Most of them are independents.
- There is a complete separation between the Chairman of the Board of Directors and the Executive Management of the Company, whereas the Chairman of the Board of Directors does not undertake or practice any work of the Executive Management.

- **Governance and Institutional Discipline Rules:**

- In 2022, the company has updated its articles of association to be in accordance with the provisions of the Companies Law and its amendments. The new article of association allows holding the general meetings of the company such as AGM, Board of Directors and Committees Meeting remotely and electronically, and allows sending invitations to shareholders by text messages and e-mail.
- The company follows and applies the Corporate Governance Rules for Public Joint Stock Companies.
- The Audit Committee, the Nomination and Remuneration Committee and the Risk Committee emanate from the Board of Directors of the Company.
- The company has a specialized Internal Audit Department that is directly headed by the Audit Committee and the Board of Directors.
- In line with the updated Governance rules, the company has reviewed its policies, especially the policy of nominations and remuneration, and AML policy and procedures.
- The General Assembly of the Company appoints an independent auditor who presents his report and financial statements independently in the meetings of the shareholders and the Board of Directors. They are disclosed according to the rules and principles followed and applied to the Public Joint Stock Companies.
- The company discloses its General Assembly meetings and core and essential events when they occur.

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