Sharjah Insurance Company P.S.C.

Independent auditor's report and financial statements
For year ended 31 December 2023

Sharjah Insurance Company P.S.C.
Independent auditor's report and financial statements

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Board of Directors' report

The Board of Directors of Sharjah Insurance Company P.S.C. has the honor to disclose the audited financial statements for the year ended 31 December 2023. The following is a summary of the results of the Company's operations for the year ended 31 December 2023:

First: Insurance activity:

Under the guidance of the Board of Directors of the Company to maintain technical profits achieved in the past couple of years, the Company has continued a conservative underwriting policy to select the business according to the technical results reached as follows:

Operational Results:

- Total insurance service revenue for 2023 amounted to AED 21.5 million compared to a restated insurance service revenue of AED 22.8 million for 2022. The insurance service expenses for 2023 amounted to AED 14.8 million compared to a restated insurance service expenses AED 9.9 million in 2022.
- A net insurance service result of AED (1.5) million for the year ended 31 December 2023 as compared to a restated net insurance service result of AED 2.3 million for the year ended 31 December 2022 (the "Previous Year").

Second: Investment Activity:

- Investment profits for the year 2023 amounted to AED 15.4 million compared to AED 32.6 million in 2022.
- As per the statement of cashflows, The Company acquired financial assets through profit or loss amounted to AED 25.3 million during the year compared to 118.8 million in 2022 and sold financial assets through profit and loss and financial assets through other comprehensive income amounted to AED 24.1 million and AED 2.6 million compared to AED 109.3 million and AED 12.1 million in 2022, respectively.

The Company's net profit for the year 2023 amounted to AED 16.21 million compared to restated net profit of AED 33.7 million for the year 2022.

The main objective of the Company's Board of Directors and its executive management is to maintain and develop the economic entity to the benefit of the country, the citizens, and the investors. Therefore, we are committed to be in the ranks of the competitive company's professionality and committed to apply the highest standards of quality and management governance to meet the requirements of transparency and disclosure.

- The Company renewed the Reinsurance agreements for 2024 on technical basis to ensure the continuation of the underwriting performance and expansion of its operations.

- Based on these results and in accordance with notice No. CBUAEBSD/2022/4697, the Board of Directors has decided to approach the Central Bank of the UAE to obtain approval for the announcement of proposed dividend for the year 2023 to shareholders.

Finally, I would like to thank the Board of Directors and employees for their efforts and hope greater efforts to be done to continue the successful journey.

Yours faithfully,

Ahmed Mohamed Hamad Al Midfa
Chairman

شركة الشارقة للتأمين ش.م.ع. المكتب الرئيسي Head Office Sharjah Insurance Co. P.S.C.

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Independent Auditors' Report

To the Shareholders of Sharjah Insurance Company P.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sharjah Insurance Company P.S.C (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statement of profit or loss, statement of other comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements together with the ethical requirements that are relevant to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report

To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of (Re)Insurance Contract Assets and Insurance Contract Liabilities	
As at 31 December 2023, The Company's reinsurance contract assets, insurance contract assets, insurance contract liabilities and reinsurance contract liabilities are valued at AED 24.1 million, AED 2.7 million, AED 39 million and AED 3.7 million respectively (Refer note 10). Valuation of these (Re)Insurance contract assets and liabilities involve significant judgements and estimates particularly with respect to the eligibility of measurement models and estimation of the present value of future cash flows. These cash flows primarily include determination of expected premium receipts, expected ultimate cost of claims and allocation of insurance acquisition cash flows which are within the contract boundaries. The calculation for these liabilities includes significant estimation and involvement of actuarial experts in order to ensure appropriateness of discount rates, methodology, assumptions and data used to determine the estimated present value of future cash flows. As a result of the above factors, we consider valuation of these liabilities as a key audit matter.	We performed the following procedures in conjunction with our actuarial specialists: - Assessed the competence, capabilities and objectivity of the management's appointed actuary; - Understood and evaluated the process, the design and implementation of controls in place to determine valuation of Insurance contract liabilities and Reinsurance contract assets; - Tested the completeness, and on sample basis, the accuracy and relevance of data used to determine future cashflows; - Evaluated the appropriateness of the methodology, significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgments applied; - Independently reperformed the calculation to assess the mathematical accuracy of the Insurance contract liabilities and Reinsurance Contract Assets on selected classes of business, particularly focusing on largest and most uncertain reserves; - Evaluated and tested the data used in the impairment model calculations receivables for amounts due; and - Evaluated and tested the calculation of the allowance for expected credit loss allowance and the key assumptions and judgments used.

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Independent Auditor's Report

To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

<table>
<tr><th>Key Audit Matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Disclosure of transition impact of adopting IFRS 17</td></tr>
<tr><td>The Company adopted IFRS 17 Insurance Contracts with effect from 1 of January 2023, which resulted in changes to the measurement of insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty relating to insurance contracts.

We determined the disclosure for impact of adopting IFRS 17 to be a key audit matter due to the significant changes introduced by the standard, which includes significant estimates and judgements. These impacts will be of particular importance to the readers of these financial statements. (Refer to Note 3 and Note 4).

In particular, we have focused on the following key judgements that management have taken on implementing IFRS 17 Insurance Contracts:

The determination of the transition approach adopted for each group of insurance contracts.

The methodology adopted, and key assumptions used to determine the impact and restatement of previously reported numbers in accordance with IFRS 17.

Disclosure of the impact of restatement, in accordance with IFRS 17.</td><td>Our audit procedures, among others, include:

- Assessed whether the judgements applied by management in determining their accounting policies are in accordance with IFRS 17;

- Used our actuarial specialist team members, evaluated the appropriateness of the methodology used to determine discount rates as at the transition date;

- Evaluated the appropriateness of significant assumptions including risk adjustment, PAA eligibility assessment, discount rates and expenses included within the fulfilment cashflows;

- Evaluated the completeness, and on sample basis, the accuracy and relevance of the data used to determine the impact of IFRS 17 adoption and restatement; and

- Evaluated the reasonableness of the quantitative and qualitative disclosures included in the financial statements in accordance with IFRS 17.</td></tr>
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Independent Auditor's Report

To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 December 2023, the company owns a portfolio of investment properties amounting to AED 54,068 thousand (2022: AED 53,104 thousand) which comprising commercial properties, residential properties and a land. The company recorded a net fair value gain in the statement of profit or loss amounting to AED 964 thousand during the year ended 31 December 2023 (2022: AED 1,154 thousand) (refer to Note 7). These investment properties are stated at their fair values as determined by independent real estate valuers engaged by the company ("the valuers"). The valuation process involves significant judgements in determining and estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the significant unobservable inputs and a small change in the assumptions can have a significant impact to the valuation.	Our audit procedures, among others, included: - We obtained the valuation assessment report prepared by the external valuers; - We evaluated the external valuers qualifications, experience and expertise in the investment properties being valued and considered their objectivity, independence and scope of work; - We assessed whether the valuation methods used are in accordance with the established standards for valuation of the properties and determining the fair value; - We involved our internal valuation specialists to review the valuation methodologies, key assumptions and critical judgements used by comparing these with market data, or other publicly available information, on selected properties; - On sample basis, we tested, whether property specific data provided to the external valuers by management reflected the underlying property records; and - We assessed the disclosures made in the financial statements is in accordance with the requirements of IFRSs.

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Independent Auditor's Report

To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, 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 omission, misrepresentations, or the override of internal control.

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Independent Auditor's Report

To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

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Independent Auditor's Report

To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on Other Legal and Regulatory Requirements

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

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

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

iii) The Company has maintained proper books of account in accordance with the established accounting principles;

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

v) Investments in shares during the year ended 31 December 2023, are disclosed in note 8 to these financial statements;

vi) Note 23 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

vii) The Company has not made any social contributions during the financial year ended 31 December 2023; and

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

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

Grant Thornton

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GRANT THORNTON
Audit and Accounting Limited (Sharjah Branch)

GRANT THORNTON UAE

Dr. Osama El Bakry
Registration No: 935
Sharjah, United Arab Emirates

19 March 2024

Statement of financial position
As at 31 December 2023

	Notes	2023 AED	*Restated* 2022 AED	*Restated* 2021 AED
Assets				
Property and equipment	5	**576,160**	1,294,619	2,362,070
Intangible assets	6	**89,290**	73,409	180,253
Investments properties	7	**54,068,666**	53,104,355	51,949,400
Investments at fair value through other comprehensive income (FVOCI)	8.1	**36,662,639**	36,986,809	50,685,171
Statutory deposits	9	**7,500,000**	5,000,000	5,000,000
Reinsurance contract assets	10	**24,096,820**	22,055,878	26,659,833
Insurance contract assets	10	**2,705,758**	3,089,670	4,916,822
Prepayments and other receivables	11	**5,259,817**	1,711,051	3,824,985
Investments at fair value through profit or loss (FVTPL)	8.2	**139,534,825**	134,255,729	108,714,402
Bank balances and cash	12	**31,390,310**	39,180,351	54,131,325
Total assets		**301,884,285**	296,751,871	308,424,261
Equity and liabilities				
Capital and reserves				
Share capital	13	**150,000,000**	150,000,000	137,500,000
Statutory reserve	14.1	**56,431,823**	54,811,157	51,707,121
Voluntary reserve	14.2	**30,000,000**	30,000,000	30,000,000
Reinsurance reserve	14.3	**393,969**	299,957	196,889
Cumulative changes in fair value of FVTOCI investments		**(113,800,113)**	(115,520,843)	(111,624,590)
Retained earnings		**130,140,188**	130,121,662	120,965,669
Total equity		**253,165,867**	249,711,933	228,745,089
Liabilities				
Provision for employees' end of service indemnity	15	**969,330**	856,730	964,807
Insurance contract liabilities	10	**39,027,313**	37,184,822	47,752,188
Reinsurance contract liabilities	10	**3,667,118**	3,834,739	4,521,573
Other payables	16	**2,424,523**	3,936,158	4,279,301
Lease liabilities	17	**51,865**	1,219,024	2,284,815
Bank overdrafts	19	**2,578,269**	8,465	19,876,488
Total liabilities		**48,718,418**	47,039,938	79,679,172
Total equity and liabilities		**301,884,285**	296,751,871	308,424,261

Ahmed Mohamed Hamad Almidfa
Chairman

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The accompanying notes from 1 to 36 form an integral part of these financial statements.

Sharjah Insurance Company P.S.C.
Financial statement

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

	Notes	2023 AED	*Restated* 2022 AED
Insurance revenue	20	**21,461,395**	22,792,974
Insurance service expenses	21	**(14,764,483)**	(9,935,997)
Insurance service result before reinsurance contracts held		**6,696,912**	12,856,977
Allocation of reinsurance premiums		**(19,876,109)**	(19,115,741)
Amounts recoverable from reinsurance for incurred claims		**11,723,013**	8,572,020
Net expenses from reinsurance contracts held		**(8,153,096)**	(10,543,721)
Insurance service result		**(1,456,184)**	2,313,256
Investment and other income	22	**15,403,009**	32,572,022
Change in fair value of investment properties	7	**964,311**	1,154,955
Net investment income		**16,367,320**	33,726,977
Finance income/(expense) from insurance contracts issued	22	**825,646**	(596,570)
Finance (expense)/ income from reinsurance contracts held	22	**(1,160,775)**	754,977
Net insurance finance (expense)/income		**(335,129)**	158,407
Net insurance and investment results		**14,576,007**	36,198,640
General and administrative expenses	24	**(2,200,303)**	(2,358,606)
Finance cost		**(136,403)**	(487,354)
Other operating income		**3,967,359**	344,185
Profit for the year		**16,206,660**	33,696,865
Basic and diluted earnings per share	18	**0.11**	0.22

The accompanying notes from 1 to 36 form an integral part of these financial statements.

Statement of other comprehensive income
For the year ended 31 December 2023

	2023 AED	*Restated* 2022 AED
Profit for the year	**16,206,660**	33,696,865
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity instruments designated at FVOCI	**1,720,730**	(3,896,253)
Gain on sale of equity instruments designated at FVOCI	**526,544**	2,176,732
Other comprehensive income /(loss) for the year	**2,247,274**	(1,719,521)
Total comprehensive income for the year	**18,453,934**	31,977,344

The accompanying notes from 1 to 36 form an integral part of these financial statements.

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

	Share capital AED	Statutory reserve AED	Reinsurance reserve AED	Voluntary reserve AED	Cumulative changes in fair value of FVTOCI investments AED	Retained earnings AED	Total equity AED
Balance at 1 January 2022, as previously reported (Audited)	137,500,000	51,707,121	196,889	30,000,000	(111,624,590)	122,515,004	230,294,424
Adjustment on initial application of IFRS 17	-	-	-	-	-	(1,549,335)	(1,549,335)
Restated balance at 1 January 2022	137,500,000	51,707,121	196,889	30,000,000	(111,624,590)	120,965,669	228,745,089
Profit for the year (restated)	-	-	-	-	-	33,696,865	33,696,865
Other comprehensive (loss)/income for the year	-	-	-	-	(1,719,521)	-	(1,719,521)
Total comprehensive income for the year (restated)	-	-	-	-	(1,719,521)	33,696,865	31,977,344
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	-	-	(2,176,732)	2,176,732	-
Transfer to statutory reserve	-	3,104,036	-	-		(3,104,036)	
Transfer to reinsurance reserve	-	-	103,068	-	-	(103,068)	-
Bonus share issued	12,500,000	-	-	-	-	(12,500,000)	-
Dividends (Note 33)	-	-	-	-	-	(11,010,500)	(11,010,500)
Restated balance at 31 December 2022	150,000,000	54,811,157	299,957	30,000,000	(115,520,843)	130,121,662	249,711,933
Balance at 1 January 2023, as previously reported	**150,000,000**	**54,811,157**	**299,957**	**30,000,000**	**(115,520,843)**	**129,014,494**	**248,604,765**
Adjustment on initial application of IFRS 17	-	-	-	-	-	**1,107,168**	**1,107,168**
Restated balance as at 1 January 2023	**150,000,000**	**54,811,157**	**299,957**	**30,000,000**	**(115,520,843)**	**130,121,662**	**249,711,933**
Profit for the year	-	-	-	-	-	**16,206,660**	**16,206,660**
Other comprehensive income for the year	-	-	-	-	**2,247,274**	-	**2,247,274**
Total comprehensive income for the year	-	-	-	-	**2,247,274**	**16,206,660**	**18,453,934**
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	-	-	**(526,544)**	**526,544**	-
Transfer to statutory reserves	-	**1,620,666**	-	-	-	**(1,620,666)**	
Transfer to reinsurance reserve	-	-	**94,012**	-	-	**(94,012)**	-
Dividend (Note 33)	-	-	-	-	-	**(15,000,000)**	**(15,000,000)**
Balance at 31 December 2023	**150,000,000**	**56,431,823**	**393,969**	**30,000,000**	**(113,800,113)**	**130,140,188**	**253,165,867**

The accompanying notes from 1 to 36 form an integral part of these financial statements.

Sharjah Insurance Company P.S.C.
Financial statements

Statement of cash flows
For the year ended 31 December 2023

	Notes	2023 AED	*Restated* 2022 AED
Operating activities			
Profit for the year		**16,206,660**	33,696,865
Adjustments:			
Depreciation of property and equipment	5	**749,580**	871,298
Amortization of intangible assets	6	**65,999**	114,205
Provision for employee's end of service benefit	15	**176,720**	102,593
Provision for directors' remuneration	24	**700,000**	750,000
Fair value change on investment properties	7	**(964,311)**	(1,154,955)
Investment and other income, net	22	**(15,403,009)**	(32,572,022)
Finance costs		**136,403**	487,354
Operating cash flow before change in working capital		**1,668,042**	2,295,338
Change in working capital:			
Net reinsurance contract assets		**(2,208,563)**	3,917,121
Net insurance contract liabilities		**2,226,403**	(8,740,214)
Prepayments and other receivables		**(3,548,763)**	2,113,934
Other payables		**869,961**	(343,143)
Cash used in operations		**(992,920)**	(756,964)
Employees' end of service benefit paid	15	**(64,120)**	(210,670)
Directors' remuneration paid		**(700,000)**	(750,000)
Net cash used in operating activities		**(1,757,040)**	(1,717,634)
Investing activities			
Purchase of property and equipment	5	**(18,510)**	(58,512)
Purchase of intangible assets	6	**(81,880)**	(7,361)
Purchase of investments designated at FVTOCI	8.3	**-**	(108,477)
Purchase of investments designated at FVTPL	8.3	**(25,328,723)**	(118,772,956)
Proceeds from sale of investments designated at FVTOCI		**2,571,444**	12,087,318
Proceeds from sales of investments designated at FVTPL		**24,120,348**	109,326,461
Increase in fixed deposit with bank		**(15,000,000)**	-
Dividend income received	22	**8,253,425**	14,055,622
Income from investment properties	7	**2,788,277**	2,473,806
Interest income received		**288,813**	147,014
Other income	22	**1,763**	(222,055)
Net cash (used in)/generated from investing activities		**(2,405,043)**	18,920,860
Financing activities			
Finance costs paid		**(106,707)**	(417,231)
Lease liabilities paid		**(1,209,466)**	(858,446)
Dividend paid		**(17,381,589)**	(11,010,500)
Net cash used in financing activities		**(18,697,762)**	(12,286,177)
Net change in cash and cash equivalents		**(22,859,845)**	4,917,049
Cash and cash equivalents at the beginning of the year		**34,171,886**	29,254,837
Cash and cash equivalents at the end of the year	19	**11,312,041**	34,171,886
Non-cash transactions, net			
Bonus shares		**-**	12,500,000
Movement in the right-of-use assets	**5**	**12,611**	(254,665)
Lease liabilities		**(12,611)**	277,468
Gain on cancellation of lease under IFRS 16		**-**	(22,803)

The accompanying notes from 1 to 36 form an integral part of these financial statements.

1. Legal status and activities

Sharjah Insurance Company P.S.C. - Sharjah (the "Company") is incorporated as a public shareholding company by an Amiri Decree issued by His Highness, The Ruler of Sharjah on 8 March 1970. The Company is subject to the regulations of UAE Federal Law No. (48) of 2023 (previously 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 U.A.E. ("CBUAE") (formerly Insurance Authority of U.A.E.) under registration No.12. The Company operates through its head office in Sharjah and has Company in Dubai and Ajman. The address of the Company's registered office is P.O. Box 792, Sharjah, United Arab Emirates.

The principal activity of the Company is dealing in general insurance, property, non-property insurance, and life insurance.

The financial statements have been prepared in accordance with the requirements of the applicable laws and regulations, including UAE Federal Law No. (32) of 2021.

During the year, Federal Law No. 48 of 2023 has been issued with effective date of 30 November 2023, repealing Federal Law No. 6 of 2007. In accordance with Article 112 of the Federal Law No. 48 of 2023, the Company has 6 months from this date to apply the provisions of the new Law. The Company is in the process of reviewing the new provisions and will apply the requirements thereof in the required time.

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

New and revised IFRSs and interpretations applied on the financial statements.

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

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

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

Standards issued but not yet effective

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

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

3. Statement of compliance with IFRS

This financial statement is for the year ended 31 December 2023 and is presented in United Arab Emirate Dirham (AED), which is also the functional currency of the Company. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by International Accounting Standard Board (IASB) and interpretations thereof issued by the IFRS Interpretations Committee ("IFRS IC") and in compliance with the applicable requirements of the United Arab Emirates (UAE) Federal Decree Law No. 32 of 2021 ("Companies Law"), relating to commercial companies and United Arab Emirates (UAE) Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended) concerning Financial Regulations for Insurance Companies issued by the Central Bank of the UAE ("CBUAE") and regulation of its operations

Basis of preparation

These financial statements have been prepared on the historical cost basis, except for financial assets carried at fair value through other comprehensive income, investment properties, and financial assets carried at fair value through profit and loss which are carried at fair value and the provision for employees' end of service indemnity which is calculated in line with UAE labour laws.

The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, prepayments and other receivables, leases, bank overdraft, and other payables. The following balances would generally be classified as non-current: property and equipment, intangible assets, investment properties, investment at FVTPL, and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, reinsurance contract assets, insurance contract assets, insurance contract liabilities, reinsurance contract liabilities, bank balances and fixed deposits and provision for employees' end of service indemnity.

4. Material accounting policies

The accounting policies, critical accounting judgments and key source of estimation used in the preparation of these financial statements are consistent with those used in the audited financial statements for the year ended 31 December 2022, except for application of new standards effective as of 1 January 2023 and several amendments and interpretations apply for the first time in 2023.

The Company has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

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

IFRS 17 Insurance Contracts

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

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

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

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

Changes to classification and measurement

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

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

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

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

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

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

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

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

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Changes to presentation and disclosure

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

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

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

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

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

Instead, IFRS 17 requires separate presentation of:

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

The Company provides disaggregated qualitative and quantitative information about:

- Amounts recognized in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

Changes in accounting policies resulting from the adoption of IFRS 17 have been applied using a full retrospective approach to the extent practicable. Under the full retrospective approach, at 1 January 2022 the Company:

- identified, recognized and measured each group of insurance and reinsurance contracts as if IFRS 17 had always been applied;
- identified, recognized and measured any assets for insurance acquisition cash flows as if IFRS 17 had always been applied;
- derecognized previously reported balances that would not have existed if IFRS 17 had always been applied. These included some deferred acquisition costs for insurance contracts, intangible assets related to insurance contracts (previously referred to as 'value of business acquired'), insurance receivables and payables, and provisions for levies that are attributable to existing insurance contracts. Under IFRS 17, they are included in the measurement of the insurance contracts; and
- recognized any resulting net difference in equity.

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Transition (continued)

The Company has applied the transition provisions in IFRS 17 and has not disclosed the impact of the adoption of IFRS 17 on each financial statement line item. The effects of adopting IFRS 17 on the financial statements at 1 January 2022 are presented in the statement of changes in equity.

The Company has applied IFRS 17 from financial reporting periods commencing on 1 January 2023 with the date of transition from IFRS 4 being 1 January 2022.

The Company has adopted IFRS 17 retrospectively. The full retrospective approach was applied to the insurance contracts in force at the transition date.

The table on the next page summaries the impact of initial application of IFRS 17 as at 1 January 2022:

	As previously reported AED	Effect of application of IFRS 17 AED	Restated AED
ASSETS			
Insurance and reinsurance receivables	18,351,894	(18,351,894)	-
Insurance contract asset	-	4,916,822	4,916,822
Reinsurance contract asset	25,740,433	919,400	26,659,833
Other receivables and prepayments	3,824,985	-	3,824,985
LIABILITIES			
Insurance contract liabilities	44,201,350	3,550,838	47,752,188
Reinsurance contract liabilities	-	4,521,573	4,521,573
Insurance and reinsurance payables	19,038,748	(19,038,748)	-
Other liabilities and provision	23,318,049	-	23,318,049
EQUITY			
Retained earnings and reserve	122,515,004	(1,549,335)	120,965,669

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts classification

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

Insurance and reinsurance contracts accounting treatment

Separating components from insurance and reinsurance contracts

The Company assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Company applies IFRS 17 to all remaining components of the (host) insurance contract. Currently, the Company' products do not include any distinct components that require separation. Some reinsurance contracts issued contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims, or another contractual payment irrespective of the insured event happening. The minimum guaranteed amounts have been assessed to be highly interrelated with the insurance component of the reinsurance contracts and are, therefore, non-distinct investment components which are not accounted for separately. However, receipts and payments of these investment components are recognised outside of profit or loss.

Level of aggregation

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

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

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Level of aggregation (continued)

Hence, within each quarter of issue, portfolios of contracts are divided into three groups, as follows:

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

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

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

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

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

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

Recognition

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

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

Contract boundary

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

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Contract boundary (continued)

A substantive obligation to provide services ends when:

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

Both of the following criteria are satisfied:

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

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

Measurement - Premium Allocation Approach

Insurance contracts – initial measurement

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

- The coverage period of each contract in the group is one year or less, including coverage arising from all premiums within the contract boundary. Or
- For contracts longer than one year, the Company has modelled possible future scenarios and reasonably expects that the measurement of the liability for remaining coverage for the group containing those contracts under the PAA does not differ materially from the measurement that would be produced applying the general model. In assessing materiality, the Company has also considered qualitative factors such as the nature of the risk and types of its lines of business.

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

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

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

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

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Insurance contracts – subsequent measurement
The Company measures the carrying amount of the liability for remaining coverage at the end of each reporting year as the liability for remaining coverage at the beginning of the year:

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

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

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

Insurance contracts – modification and derecognition

The Company derecognizes insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired); or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognizes the initial contract and recognizes the modified contract as a new contract.

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

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

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

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

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Presentation (continued)

The Company disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively. The Company separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

Insurance revenue

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

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

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

Loss components

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

Insurance finance income and expense

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

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

The Company disaggregates insurance finance income or expenses between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance assets and liabilities are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance assets and liabilities. The Company' financial assets are also measured at FVTOCI.

Net income or expense from reinsurance contracts held

The Company presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid.

4. Material accounting policies (continued)

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

IFRS 17 Insurance Contracts (continued)

Insurance and reinsurance contracts accounting treatment (continued)

Net income or expense from reinsurance contracts held (continued)

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

Insurance contracts

Definition, recognition and measurement

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

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

Short-term insurance contracts

These contracts are medical, motor, property, engineering and short-duration life insurance contracts.

Medical insurance contracts protect the Company's customers against the risk of incurring medical expenses. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Engineering Insurance is an insurance policy that covers a wide range of engineering related risks. It is a comprehensive insurance that provides complete protection against risks associated with erection, resting, and working of any machinery, plant or equipment.

Motor insurance comprises Comprehensive Insurance and Third-Party Insurance. Comprehensive Insurance covers the policy holder for any loss or damage to the policy holder's vehicle caused either by themselves or a third party. It also covers any third party for loss or damage caused by the policy holder. Third Party Insurance, on the other hand only covers the third party for any loss of damage caused by the policy holder.

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

Short-duration life insurance contracts (credit life) protect the Company's customers from the consequences of events that would affect the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There is no maturity or surrender benefits.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

4. Material accounting policies (continued)

Insurance contracts (continued)

Short-term insurance contracts (continued)

Unallocated loss adjustment expense reserves correspond to the provision representing future claim expenses and related handling costs that are not case specific. It represents all other expenses and costs that are related to the adjudication of claims but cannot be assigned to a specific claim and is calculated based on recommendation of Company's external actuarial valuation report.

Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. 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 an expense when due. The Company assesses its reinsurance contract assets for impairment on a regular basis. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

Insurance contract liabilities

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

The reinsurers' portion of the above outstanding claims and unearned premium is classified as reinsurance contract assets in the financial statements.

Salvage and subrogation reimbursements

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

Liability adequacy test

At the end of each reporting year, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortized cost. The impairment loss is also calculated under the same method used for these financial assets.

Commission earned and incurred

Commissions and other acquisition costs that are related to securing new contracts and renewing existing contracts are charged to profit or loss when incurred. The Company recognise commissions received from reinsurance premium ceded as commission income in the year in which premium was ceded to the reinsurers

4. Material accounting policies (continued)

Revenue recognition

Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements (Note 4 under insurance contracts).

Interest income

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 the asset's net carrying amount.

Dividend income

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

Rental income

Rental income from investment property which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

Foreign currencies

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting year, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Employee benefits

Defined contribution plan

U.A.E. national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to Statement of profit or loss.

Annual leave and leave passage

An accrual is made for the 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 year.

4. Material accounting policies (continued)

Employee benefits (continued)

Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting year. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any identified impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. 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 item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in Statement of profit or loss.

The useful lives considered in the calculation of depreciation for all the assets are 4 - 5 years. Right-of-use assets are depreciated over the lease term of 5 years.

Intangible assets

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting year, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 4 years.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially 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 income in the year in which they arise. Fair value is determined by an external independent valuator.

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 statement of income/loss in the year of retirement or disposal.

4. Material accounting policies (continued)

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are within the scope of IFRS 9 expected credit loss calculations for the assessment of impairment.

Fixed deposits

Fixed deposits are deposits held with banks with original maturities of more than three months, which are initially measured at fair value and subsequently measured at amortised cost. Fixed deposits are within the scope of IFRS 9 expected credit loss calculation for the assessment of impairment.

Impairment of non-financial assets

At the end of each reporting year, the Company reviews the carrying amounts of their tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest 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 Statement of profit or loss, 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 Statement of profit or loss, 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.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.
The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting Year, 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 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.

4. Material accounting policies (continued)

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds.

Leases

Company as lessee

At lease commencement date, the Company recognises a right of use asset and a lease liability on the 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 direct costs incurred by the Company, 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 Company 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 Company also assesses the right of use asset for impairment when such indicators exist. At the commencement date, the Company 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 Company's incremental borrowing rate.

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.

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

On the statement of financial position, right-of-use assets have been included in property and equipment and lease liabilities have been included in as a separate line item as lease liabilities.

Company as lessor

As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

4. Material accounting policies (continued)

Financial Instruments

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in Statement of profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Cash and bank and other receivables

Cash and bank, and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

4. Material accounting policies (continued)

Cash and bank and other receivables (continued)

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Investments in equity instruments are classified as at FVTPL, unless the Company designates an investment that is not held for trading as at fair value through other comprehensive income (FVTOCI) on initial recognition.

Financial assets at FVTPL are measured at fair value at the end of each reporting year, with any gains or losses arising on remeasurement recognised in statement of income. Fair value is determined in the manner described in note 22.

A financial asset is held-for-trading if:
- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Dividend income on investments in equity instruments at FVTPL is recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

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

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

Investments in equity instruments at fair value through other comprehensive income are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value in equity. When the FVTOCI-equity instruments are disposed of, the cumulative gain or loss previously accumulated in the cumulative changes in fair value in equity is not reclassified to profit or loss but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established in accordance with IFRS 15 Revenue.

4. Material accounting policies (continued)

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting year following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting year, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss model (ECLs). The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits and insurance and other receivables that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for bank balances including statutory and fixed deposits, insurance and other receivables at an amount equal to life time ECLs.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company's historical experience and informed credit assessment and including forward-looking information.

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits and insurance and other receivables are presented in the Statement of profit or loss.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of the grade of the investment.

4. Material accounting policies (continued)

Measurement of ECL

The Company considers broader range of information when assessing the credit risk, and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. In applying this forward looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk. (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low. (Stage 2)

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date. The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of "investment grade".

12-month expected credit loss are recognized for the first category (Stage 1) while " life time expected credit losses" are recognized for the second category (Stage 2). Measurement of the expected credit losses is determined by a probability - weighted estimate of credit losses over the expected life of the financial instrument.

The Company makes use of a simplified approach in accounting for insurance receivables and for other receivables records life time expected credit loss. These are expected shortfalls in the contractual cashflows, considering the potential for default at any point during the life of a financial instrument. In calculating, the Company uses its historical experience, external indicators and forward looking information to calculate the expected credit losses using a provision matrix.

The Company assesses impairment of insurance receivables on a collective basis as they possess shared credit riks characteristics, they have been grouped based on the days past due.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried at amortized costs are credit impaired.

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortized cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in Statement of profit or loss.

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to Statement of profit or loss, but is reclassified to retained earnings.

4. Material accounting policies (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Insurance and other payables and bank overdrafts are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

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

Derecognition of financial liabilities

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the year in which the dividend is approved by the Company's shareholders.

Fair value measurement

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized with in fair value hierarchy, based on the lowest level of input that is significant to the fair value measurement as a whole.

4. Material accounting policies (continued)

Fair value measurement (continued)

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

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 4 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTPL or FVOCI. The Company classifies investments at FVTPL if they are acquired primarily for the purpose of making a short-term profit by the dealers.

Equity instruments are classified as financial assets measured at FVOCI when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Company's investments in securities are appropriately classified.

Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4. Material accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical accounting judgements (continued)

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how Company's financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

Key sources of estimation uncertainty

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

The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting year. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting year, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

Liability adequacy test

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

Valuation of unquoted equity instruments

Valuation of unquoted equity investments is done by independent external valuer normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using net assets valuation method or other valuation models.

4. Material accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

Amortization of intangible assets

The year of amortisation of the intangible assets is determined based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company and technological obsolescence. Management has concluded that no impairment of intangible assets is required based on impairment test performed by the Company as of the reporting date.

Revaluation of investment properties

The investment properties are carried at fair value, with changes in the fair value being recognized in the Statement of profit or loss. The management engaged independent valuation specialists to assess fair value during the year. The fair value of plots of land was determined based on an acceptable approach that reflects recent transactions prices for similar properties. The fair value of buildings was determined using income approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Measurement of the expected credit loss ("ECL") allowance

The measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. The following components have a major impact on the credit loss allowance for debt instruments carried at amortised cost, FVTOCI investments, bank balances and fixed deposits: definition of default, significant increase in credit risk, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") and the historical loss experience per ageing bucket has the major impact on the credit loss allowance for Insurance and other receivables. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

Insurance and reinsurance contracts

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

Liability for remaining coverage

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

4. Material accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Liability for incurred claims

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

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

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based.

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Discount rates

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

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

Financial year	1 year	5 years	10 years	20 years	30 year
31 December 2023	5%	5%	5%	5%	5%
31 December 2022	5%	5%	5%	5%	5%
31 December 2021	3%	3%	3%	3%	3%

4. Material accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

Risk adjustment for non-financial risk

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

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

The Company has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 80th percentile. That is, the Company has assessed its indifference to uncertainty for all product lines (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 80th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Company has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles

Notes to the financial statement (continued)
For the year ended 31 December 2023

5 Property and equipment

	Decoration and office improvements AED	Furniture, office equipment and motor vehicles AED	Right of use assets - building AED	Total AED
Cost				
At 1 January 2022	1,720,475	4,130,612	3,959,897	9,810,984
Additions during the year	-	58,512	115,165	173,677
Disposals during the year	-	-	(575,848)	(575,848)
At 31 December 2022	1,720,475	4,189,124	3,499,214	9,408,813
Additions during the year	-	18,510	12,611	31,121
At 31 December 2023	**1,720,475**	**4,207,634**	**3,511,825**	**9,439,934**
Accumulated depreciation				
At 1 January 2022	1,720,475	3,802,332	1,926,107	7,448,914
Charge for the year	-	149,793	721,505	871,298
Disposals during the year	-	-	(206,018)	(206,018)
At 31 December 2022	1,720,475	3,952,125	2,441,594	8,114,194
Charge for the year	-	100,555	649,025	749,580
At 31 December 2023	**1,720,475**	**4,052,680**	**3,090,619**	**8,863,774**
Net book value				
At 31 December 2023	**-**	**154,954**	**421,206**	**576,160**
At 31 December 2022	-	236,999	1,057,620	1,294,619

6 Intangible assets

	Computer software AED
Cost	
At 31 December 2021	860,296
Additions during the year	7,361
At 31 December 2022	867,657
Additions during the year	**81,880**
At 31 December 2023	**949,537**
Accumulated amortisation	
At 31 December 2021	680,043
Charge for the year	114,205
At 31 December 2022	794,248
Charge for the year	**65,999**
At 31 December 2023	**860,247**
Carrying amount	
At 31 December 2023	**89,290**
At 31 December 2022	73,409

7 Investments properties

	2023 AED	2022 AED
Fair value at the beginning of the year	**53,104,355**	51,949,400
Change in fair value during the year	**964,311**	1,154,955
	54,068,666	53,104,355

The fair value of the Company's investment properties has been arrived at on the basis of valuations carried by independent external valuers who have appropriate market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the acceptable approach that reflects recent transactions prices for similar properties, and income approach for other properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There is no addition or disposal during the year in investment properties.

Investment properties amounting to AED 24.9 million were previously mortgaged to the Ministry of Economy and Commerce, U.A.E. as per the U.A.E Federal Law No. 6 of 2007, on Insurance Companies register of the CBUAE. However, following the Federal Decree-Law No. (48) of 2023 Regulating Insurance Activities, this requirement has been abolished and the insurance company is free to dispose of its investment properties without any mortgage.

Investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2023 (31 December 2022: Level 3) and are located in U.A.E.

The property rental income earned by the Company from its investment properties and the direct operating expenses related to the investment properties are as follows:

	2023 AED	2022 AED
Rental income	**2,837,202**	2,498,080
Direct operating expenses	**(48,925)**	(24,274)
Net income from investment properties (Note 22)	**2,788,277**	2,473,806

7 Investments properties (continued)

Details of the Company's investment properties and their fair values are as follows:

	2023 AED	2022 AED
Plots of land located in Sharjah, U.A.E	**5,895,000**	5,980,250
Shops located in Sharjah, U.A.E	**43,003,000**	41,872,500
Villas located in Sharjah, U.A.E	**2,450,000**	2,545,605
Building located in Sharjah, U.A.E.	**2,720,666**	2,706,000
	54,068,666	53,104,355

8 Investment in securities

8.1 Investment carried at fair value through other comprehensive income (FVTOCI)

	2023 AED	2022 AED
Quoted securities	**31,153,928**	32,285,645
Unquoted securities	**5,508,711**	4,701,164
	36,662,639	36,986,809
Within U.A.E	**15,124,894**	15,100,516
In other GCC countries	**21,537,745**	21,886,293
	36,662,639	36,986,809

8.2 Investment carried at fair value through profit or loss (FVTPL)

	2023 AED	2022 AED
Quoted securities	**139,459,078**	133,910,440
Unquoted securities	**75,747**	345,289
	139,534,825	134,255,729
Within U.A.E	**99,674,356**	92,744,231
In other GCC countries	**39,860,469**	41,511,498
	139,534,825	134,255,729

The electronic custody of investments designated at FVTPL with fair value of AED 44.6 million (31 December 2022: 42.4 million) are transferred to the bank's appointed broker as security against credit facility granted to the Company (Note 19).

8.3 Movement in the financial investments

	FVTPL AED	FVTOCI AED	Total AED
At 1 January 2022	108,714,402	50,685,171	159,399,573
Purchases	118,772,956	108,477	118,881,433
Disposals	(95,243,123)	(9,910,586)	(105,153,709)
Changes in fair value	2,011,494	(3,896,253)	(1,884,759)
As at 31 December 2022	**134,255,729**	**36,986,809**	**171,242,538**
Purchases	**25,328,723**	**-**	**25,328,723**
Disposals	**(20,121,228)**	**(2,044,900)**	**(22,166,128)**
Changes in fair value	**71,601**	**1,720,730**	**1,792,331**
As at 31 December 2023	**139,534,825**	**36,662,639**	**176,197,464**

9 Statutory deposits

In accordance with the requirements of Federal Decree-Law No. (48) of 2023 Regulating Insurance Activities, (previously Federal Law No. 6 of 2007, as amended) on the Insurance Companies register with the CBUAE, the Company is required to maintain bank deposit amounting to AED 10,000,000 within 6 months from the effective date, i.e. November 30th, 2023. The Company would meet the requirement within the stipulated time as given in aforementioned law.

10 Insurance and reinsurance contracts

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

	31 December 2023			31 December 2022 *(Restated)*		
	Assets AED	**Liabilities AED**	**Net AED**	Assets AED	Liabilities AED	Net AED
Insurance contracts issued						
Commercial Fire & Allied Lines	**(1,555,788)**	**13,739,306**	**12,183,518**	(2,516,969)	7,004,297	4,487,328
Marine Insurance	**(90,412)**	**910,309**	**819,897**	(377,504)	832,158	454,654
Personal Motor	**(1,673)**	**10,880,809**	**10,879,136**	(16,165)	13,282,485	13,266,320
Engineering & Construction	**(677,706)**	**9,335,587**	**8,657,881**	(122,528)	11,854,319	11,731,791
Others	**(380,179)**	**4,161,302**	**3,781,123**	(56,504)	4,211,563	4,155,059
Total insurance contracts issued	**(2,705,758)**	**39,027,313**	**36,321,555**	(3,089,670)	37,184,822	34,095,152
Reinsurance contracts held						
Commercial Fire & Allied Lines	**(10,322,870)**	**2,368,243**	**(7,954,627)**	(5,021,206)	3,289,703	(1,731,503)
Marine Insurance	**(1,109,347)**	**81,428**	**(1,027,919)**	(663,901)	280,716	(383,185)
Personal Motor	**(2,737,161)**	**1,019,931**	**(1,717,230)**	(4,144,560)	236,676	(3,907,884)
Engineering & Construction	**(7,753,797)**	**1,196**	**(7,752,601)**	(9,273,756)	-	(9,273,756)
Others	**(2,173,645)**	**196,320**	**(1,977,325)**	(2,952,455)	27,644	(2,924,811)
Total reinsurance contracts held	**(24,096,820)**	**3,667,118**	**(20,429,702)**	(22,055,878)	3,834,739	(18,221,139)

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

10 Insurance and reinsurance contracts (continued)

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

2023		Liabilities for incurred claims		
	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED
Insurance contract liabilities as at 1 January	7,480,319	28,220,539	1,483,964	37,184,822
Insurance contract assets as at 1 January	(2,719,225)	(342,586)	(27,859)	(3,089,670)
Net insurance contract liabilities as at 1 January	4,761,094	27,877,953	1,456,105	34,095,152
Insurance revenue	(21,461,395)	-	-	(21,461,395)
Insurance service expenses:				
Incurred claims and other expenses	-	15,166,234	-	15,166,234
Changes to liabilities for incurred claims	-	2,788,226	781,866	3,570,092
Losses on onerous contracts and reversals of those losses	(5,625,509)	-	-	(5,625,509)
Amortisation of insurance acquisition cash flows	1,653,667	-	-	1,653,667
Insurance service result	(25,433,237)	17,954,460	781,866	(6,696,911)
Finance expense from insurance contracts	-	1,087,970	72,805	1,160,775
Total changes in the statement of comprehensive income	(25,433,237)	19,042,430	854,671	(5,536,136)
Cash flows				
Premiums received	26,468,777	-	-	26,468,777
Claims and other directly attributable expenses paid	-	(17,367,707)	-	(17,367,707)
Insurance acquisition cash flows paid	(1,338,530)	-	-	(1,338,530)
Total cash flows	25,130,247	(17,367,707)	-	7,762,540
Insurance contract liabilities as at 31 December	6,942,812	29,759,152	2,325,349	39,027,313
Insurance contract assets as at 31 December	(2,484,709)	(206,476)	(14,573)	(2,705,758)
Net insurance contract liabilities as at 31 December	4,458,103	29,552,675	2,310,776	36,321,555

10 Insurance and reinsurance contracts (continued)

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

2022 *(Restated)*		Liabilities for incurred claims		
	Liabilities for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED
Insurance contract liabilities as at 1 January	3,530,088	41,233,337	2,988,763	47,752,188
Insurance contract assets as at 1 January	(4,734,889)	(165,622)	(16,311)	(4,916,822)
Net insurance contract liabilities as at 1 January	(1,204,801)	41,067,715	2,972,452	42,835,366
Insurance revenue	(22,792,974)	-	-	(22,792,974)
Insurance service expenses:				
Incurred claims and other expenses	-	20,139,264	-	20,139,264
Changes to liabilities for incurred claims	-	(10,541,546)	(1,577,106)	(12,118,652)
Losses on onerous contracts and reversals of those losses	73,602	-	-	73,602
Amortisation of insurance acquisition cash flows	1,841,783	-	-	1,841,783
Insurance service result	(20,877,589)	9,597,718	(1,577,106)	(12,856,977)
Finance expense from insurance contracts	-	535,811	60,759	596,570
Total changes in the statement of comprehensive income	(20,877,589)	10,133,529	(1,516,347)	(12,260,407)
Cash flows				
Premiums received	27,446,318	-	-	27,446,318
Claims and other directly attributable expenses paid	-	(23,323,291)	-	(23,323,291)
Insurance acquisition cash flows paid	(602,834)	-	-	(602,834)
Total cash flows	26,843,484	(23,323,291)	-	3,520,193
Insurance contract liabilities as at 31 December	7,480,319	28,220,539	1,483,964	37,184,822
Insurance contract assets as at 31 December	(2,719,225)	(342,586)	(27,859)	(3,089,670)
Net insurance contract liabilities as at 31 December	4,761,094	27,877,953	1,456,105	34,095,152

10 Insurance and reinsurance contracts (continued)

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

2023		Amounts recoverable on incurred claims		
	Assets for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED
Reinsurance contract liabilities as at 1 January	3,325,503	479,660	29,576	3,834,739
Reinsurance contract assets as at 1 January	(3,062,363)	(17,876,007)	(1,117,508)	(22,055,878)
Net reinsurance contract liabilities/(assets) as at 1 January	263,140	(17,396,347)	(1,087,932)	(18,221,139)
An allocation of reinsurance premiums	19,876,109	-	-	19,876,109
Amounts recoverable from reinsurance for incurred claims:				
Amounts recoverable for incurred claims and other expenses	-	(5,429,416)	-	(5,429,416)
Changes to amounts recoverable for incurred claims	-	(4,424,114)	(815,259)	(5,239,373)
Loss recovery on onerous underlying contracts & adjustment	4,458,247	-	-	4,458,247
Amortization of acquisition expenses	(5,538,817)	-	-	(5,538,817)
Changes in non-performance risk of reinsurer	26,347	-	-	26,347
Net revenue/(expense) from reinsurance contracts	18,821,886	(9,853,530)	(815,259)	8,153,097
Finance expense from reinsurance contracts	-	(771,249)	(54,397)	(825,646)
Total changes in the statement of comprehensive income	18,821,886	(10,624,779)	(869,656)	7,327,451
Cash flows				
Premiums paid	(22,781,561)	-	-	(22,781,561)
Claims and other directly attributable expenses received	-	10,629,446	-	10,629,446
Reinsurance acquisition cash flows	2,616,101	-	-	2,616,101
Total cash flows	(20,165,460)	10,629,446	-	(9,536,014)
Reinsurance contract liabilities as at 31 December	2,971,956	685,496	9,666	3,667,118
Reinsurance contract assets as at 31 December	(4,052,390)	(18,077,176)	(1,967,254)	(24,096,820)
Net reinsurance contract liabilities/(assets) as at 31 December	(1,080,434)	(17,391,680)	(1,957,588)	(20,429,702)

10 Insurance and reinsurance contracts (continued)

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

2022 *(Restated)*		Amounts recoverable on incurred claims		
	Assets for remaining coverage	Estimates of the present value of future cash flows	Risk adjustment	Total
	AED	AED	AED	AED
Reinsurance contract liabilities as at 1 January	4,352,101	150,829	18,643	4,521,573
Reinsurance contract assets as at 1 January	(1,935,890)	(23,398,829)	(1,325,114)	(26,659,833)
Net reinsurance contract liabilities/(assets) as at 1 January	2,416,211	(23,248,000)	(1,306,471)	(22,138,260)
An allocation of reinsurance premiums	19,115,741	-	-	19,115,741
Amounts recoverable from reinsurance for incurred claims:				
Amounts recoverable for incurred claims and other expenses	-	(7,657,739)	-	(7,657,739)
Changes to amounts recoverable for incurred claims	-	5,295,518	217,951	5,513,469
Loss-recovery on onerous underlying contracts and adjustments	(1,275,452)	-	-	(1,275,452)
Amortisation of reinsurance acquisition cash flows	(5,152,298)	-	-	(5,152,298)
Net revenue/(expense) from reinsurance contracts	12,687,991	(2,362,221)	217,951	10,543,721
Finance expense/(income) from reinsurance contracts	(514,396)	(241,169)	588	(754,977)
Total changes in the statement of comprehensive income	12,173,595	(2,603,390)	218,539	9,788,744
Cash flows				
Premiums paid	(20,613,680)	-	-	(20,613,680)
Claims and other directly attributable expenses received	-	8,455,043	-	8,455,043
Reinsurance acquisition cash flows	6,287,014	-	-	6,287,014
Total cash flows	(14,326,666)	8,455,043	-	(5,871,623)
Reinsurance contract liabilities as at 31 December	3,325,503	479,660	29,576	3,834,739
Reinsurance contract assets as at 31 December	(3,062,363)	(17,876,007)	(1,117,508)	(22,055,878)
Net reinsurance contract liabilities/(assets) as at 31 December	263,140	(17,396,347)	(1,087,932)	(18,221,139)

10 Insurance and reinsurance contracts (continued)

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

Gross Insurance contract liabilities at 31 December 2023

Restated	2021 and prior AED	2022 AED	**2023 AED**	**Total AED**
At the end of each reporting year	102,851,494	11,987,841	**16,403,356**	**131,242,691**
One year later	93,466,027	10,819,495	**-**	**104,285,522**
Two years later	90,178,848	-	**-**	**90,178,848**
Estimate of cumulative claims	90,178,848	10,819,495	**16,403,356**	**117,401,699**
Cumulative payments to date	81,021,832	5,160,517	**4,177,993**	**90,360,342**
Total gross undiscounted liabilities for incurred claims	9,157,016	5,658,978	**12,225,363**	**27,041,357**
Unallocated loss adjustment expense reserve				**634,671**
ENID				**261,007**
Claims payable				**3,917,092**
Total gross undiscounted liabilities for incurred claims				**31,854,127**
Effect of discounting				**(2,562,550)**
Total discounted gross reserves included in the statement of financial position				**29,291,577**
Risk Adjustments				**2,571,874**
Total liability for incurred claims				**31,863,451**

Net Insurance contract liabilities at 31 December 2023

Restated	2021 and prior AED	2022 AED	**2023 AED**	**Total AED**
At the end of each reporting year	44,078,368	4,161,298	**2,347,702**	**50,587,368**
One year later	39,667,483	3,846,985		**43,514,468**
Two years later	38,355,991			**38,355,991**
Estimate of cumulative claims	38,355,991	3,846,985	**2,347,702**	**44,550,678**
Cumulative payments to date	36,071,941	2,783,474	**884,564**	**39,739,979**
Total gross undiscounted liabilities for incurred claims	2,284,050	1,063,511	**1,463,138**	**4,810,699**
Unallocated loss adjustment expense reserve				**634,671**
ENID				**832**
Claims payable				**7,145,753**
Total gross undiscounted liabilities for incurred claims				12,591,955
Effect of discounting				**(469,254)**
Total discounted gross reserves included in the statement of financial position				12,122,701
Risk Adjustments				**391,482**
Total liability for incurred claims				12,514,183

11 Prepayments and other receivables

	2023 AED	2022 AED
Other receivables	**4,649,799**	850,604
Prepayments	**610,018**	860,447
	5,259,817	1,711,051

12 Bank balances and cash

	2023 AED	2022 AED
Fixed deposits*	**17,500,000**	5,000,000
Cash on hand	**33,952**	43,187
Portfolio accounts	**612,357**	612,357
Current and call accounts	**13,244,001**	33,524,807
	31,390,310	39,180,351
Banks in UAE	**28,218,838**	37,671,960
Banks in other G.C.C countries	**3,171,472**	1,508,391
	31,390,310	39,180,351

* The interest rate on fixed deposits with banks is ranging from 0.55% to 5.5% (2022: is 0.50% to 1.45%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

13 Share capital

	2023 AED	2022 AED
Issued and fully paid 150 million ordinary shares of AED 1 each	**150,000,000**	150,000,000

14 Reserves

14.1 Statutory 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. The general assembly may suspend such transfer whenever the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for distribution except as stipulated by the Law.

14.2 Voluntary reserve

As per Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilized for any other purpose unless approved by the Ordinarily General meeting. No transfer to voluntary reserve is made during 2022 and 2023.

14.3 Reinsurance reserve

In accordance with Insurance Authority's Board of Directors' Decision No. 23 Article 34 of 2019, an amount of AED 94,012 (2022: AED 103,068) was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution and will not be disposed of without prior written approval of Assistant Governor of the Bank and Insurance supervision Department of the Central Bank of the U.A.E. ("CBUAE").

15 Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2023 AED	2022 AED
Balance at the beginning of the year	**856,730**	964,807
Charge for the year	**176,720**	102,593
Amounts paid during the year	**(64,120)**	(210,670)
Balance at 31 December	**969,330**	856,730

16 Other payables

	2023 AED	2022 AED
Accrued expenses and provisions	**1,115,193**	768,494
Rent received in advance	**1,282,159**	772,575
Unclaimed dividend	**-**	2,381,589
Others	**27,171**	13,500
	2,424,523	3,936,158

17 Lease liabilities

Lease liabilities are included in the statement of financial position as follows:

	2023 AED	2022 AED
Current	**41,355**	750,845
Non-current	**10,510**	468,179
Total lease liabilities	**51,865**	1,219,024

The Company has leased a building which is recognised as right-of use assets with lease term of 5 years.

The Company's future minimum operating lease payments are as follows

	Within 1 year	1-5 years	After 5 years	Total
December 31, 2023	**AED**	**AED**	**AED**	**AED**
Lease payments	**43,176**	**10,794**	**-**	**53,970**
Finance charges	**(1,821)**	**(284)**	**-**	**(2,105)**
Net present value	**41,355**	**10,510**	**-**	**51,865**
December 31, 2022				
Lease payments	786,120	475,703	-	1,261,823
Finance charges	(35,275)	(7,524)	-	(42,799)
Net present value	750,845	468,179	-	1,219,024

18 Basic and diluted earnings per share

	2023 AED	*Restated* 2022 AED
Profit for the year (in AED)	**16,206,660**	33,696,865
Number of shares	**150,000,000**	150,000,000
Basic and diluted earnings per share (in AED)	**0.11**	0.22

Basic and diluted earnings per share have been calculated by dividing the profit for the year by the weighted average number of shares outstanding at the end of the reporting year. Diluted earnings per share as of 31 December 2023 and 31 December 2022 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

19 Cash and cash equivalents

	2023 AED	2022 AED
Bank balances and cash	**31,390,310**	39,180,351
Fixed deposits under lien	**(17,500,000)**	(5,000,000)
	13,890,310	34,180,351
Less: Bank overdrafts	**(2,578,269)**	(8,465)
	11,312,041	34,171,886

Bank overdrafts facility

The Company availed bank overdrafts facility which is secured by electronic custody of investments designated at FVTPL having fair value of AED 44.6 million (31 December 2022: AED 42.4 million), by the bank's appointed broker.

20 Insurance revenue

	2023 AED	*Restated* 2022 AED
Amortisation of insurance acquisition	**1,653,667**	1,841,783
Amortization of liability for remaining coverage	**19,807,728**	20,951,191
	21,461,395	22,792,974

21 Insurance service expense

	2023 AED	*Restated* 2022 AED
Incurred claims and other expenses	**15,166,234**	20,139,264
Amortisation of insurance acquisition	**1,653,667**	1,841,783
Changes to liabilities for incurred claims	**3,570,091**	(12,118,652)
Losses on onerous contracts and reversals of those losses	**(5,625,509)**	73,602
	14,764,483	9,935,997

22 Investment and other income and net insurance finance income

The table below presents an analysis of total investment income and insurance finance result recognised in profit or loss and OCI for the year:

	2023 AED	2022 AED
Investment and other income		
Amounts recognised in the profit or loss		
Gain on disposal of financial investments at FVTPL	**3,999,130**	14,083,338
Unrealised gain on financial investments at FVTPL	**71,601**	2,011,494
Dividend income from financial investments FVTPL	**5,809,444**	10,579,863
Dividend income from financial investments FVOCI	**2,443,981**	3,475,759
Rental income	**2,788,277**	2,473,806
Interest on bank deposit	**288,813**	147,014
Gain on cancellation of leases	**-**	22,803
Other investment income/(expense)	**1,763**	(222,055)
Total investment income	**15,403,009**	32,572,022
Insurance finance income/(expense) from insurance contracts issued		
Due to changes in interest rates and other financial assumptions	**825,646**	(596,570)
Total insurance finance income/(expense) from insurance contracts issued	**825,646**	(596,570)
Represented by:		
Amounts recognised in profit or loss	**825,646**	(596,570)
Reinsurance finance (expense)/income from reinsurance contracts held		
Changes in non-performance risk of reinsurer	**-**	-
Due to changes in interest rates and other financial assumptions	**(1,160,775)**	754,977
Total reinsurance finance (expense)/income from reinsurance contracts held	**(1,160,775)**	754,977
Represented by:		
Amounts recognised in profit or loss	**(1,160,775)**	754,977
Total investment income, insurance finance income and reinsurance finance expense	**15,067,880**	32,730,429
Represented by:		
Amounts recognised in profit or loss	**15,067,880**	32,730,429

Notes to the financial statements (continued)
For the year ended 31 December 2023

23 Related party balances and transactions

Related parties include the Company's major shareholders, directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

Related party balances

At the reporting date, amounts due from/to related parties included under insurance and other receivables and under insurance contract liabilities, respectively as presented below:

	2023 AED	2022 AED
Board members and entities under common control (including shareholders)		
Insurance receivables	**7,984,502**	6,000,358
Insurance payables	**(27,885)**	(30,553)
Outstanding claims	**(3,892,342)**	(3,184,733)
Right-of-use asset	**362,083**	969,647
Lease liability	**-**	(1,141,869)

Related party transactions

During the year, the Company entered into the following transactions with related parties:

	2023 AED	2022 AED
Board members and entities under common control (including shareholders)		
Insurance revenue	**3,436,539**	420,465
Insurance service expense	**(866,378)**	(5,454,296)
Rent paid	**(745,000)**	(745,000)

Key management compensation

	2023 AED	2022 AED
Directors' remuneration	**700,000**	750,000
Salaries and short-term benefits	**550,000**	580,000
Salaries and long -term benefits	**88,065**	68,627

24. General and administrative expenses

	2023 AED	2022 AED
Staff cost	**6,476,444**	6,266,086
Legal and professional fee	**1,465,400**	1,386,827
Depreciation (Note 5)	**749,580**	871,298
Director's Remuneration (Note 23)	**700,000**	750,000
Government and regulatory fees	**375,246**	359,173
Office expenses	**87,833**	132,424
Amortization (Note 6)	**65,999**	114,205
Bank charges	**84,656**	102,935
Miscellaneous	**696,850**	924,425
	10,702,008	10,907,373

24. General and administrative expenses (continued)

85% of the general and administrative expenses amounting to AED 8,501,705 (2022: AED 8,548,767) is allocated to the underwriting activities, excluding the director's remuneration and management expenses, which is fully unallocated. Unallocated portion is amounting to AED 2,200,303 (2022: AED 2,358,606).

25 Contingent liabilities and capital commitments

Company, in common with the significant majority of insurers, is subject to litigation in the normal course of its business. The Company, based on independent legal advice, does not expect that the outcome of these court cases will have a material impact on the Company's financial performance or financial position.

26 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 very nature of an insurance contract, this risk is random and therefore unpredictable. The Company writes the general, medical and life insurance contracts. General insurance contracts of the Company include Liability, Property, Motor, Fire, Marine and Engineering insurance contracts. Medical insurance contracts include both individual and group medical insurance contracts. Life insurance contracts include group, retail and credit life insurance contracts.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit and Risk Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit and Risk Committee is assisted in its oversight role by Internal Audit and Risk functions.

Two key elements of the Company's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolio's outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio.

26 Insurance risk (continued)

Risk management framework (continued)

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy.

The Company enters into a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances.

Frequency and severity of claims

The Company manages insurance 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, as well as the use of reinsurance arrangements.

The Company has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim for both short and long-term insurance contracts. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess of loss and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 50,000 per vehicle/Event for motor insurance in any policy (2022: AED 50,000 for motor insurance). Similarly, net loss retained for general lines of business will not exceed AED 1,000,000 per event (2022: net loss retained for business will not exceed 1,000,000 per event). In addition to the overall Company reinsurance program, business units are permitted to purchase additional facultative reinsurance protection, if needed.

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

	As at 31 December 2023		
	Gross	**Reinsurance**	**Net**
	AED	**AED**	**AED**
Life	**1,041,108**	**251,054**	**790,054**
Motor and General	**35,280,447**	**20,178,648**	**15,101,799**
	36,321,555	**20,429,702**	**15,891,853**

	Restated		
	As at 31 December 2022		
	Gross	Reinsurance	Net
	AED	AED	AED
Life	719,785	606,695	113,090
Motor and General	33,375,367	17,614,444	15,760,923
	34,095,152	18,221,139	15,874,013

26 Insurance risk (continued)

Risk management framework (continued)

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until several months, quarters & sometimes 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 Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous years. The Company involved an independent external actuary as well if deemed necessary. 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 Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing some claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the end of the reporting year.

The amount of insurance claims is in some cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are based on Actuarial calculation which can be based purely on historical development of claims or Expected Loss Ratios or a combination of both. The method and weightage are based on the merit of the line of business. The Expected 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 line of business where the insured operates for current and prior year premium earned.

	For the year ended 31 December 2023		For the year ended 31 December 2022	
	Gross loss ratio	**Net loss Ratio**	Gross loss ratio	Net loss Ratio
Motor	**80%**	**105%**	71%	89%
Marine and aviation	**53%**	**114%**	10%	37%
Life	**76%**	**36%**	186%	70%
Engineering, fire, general accidents, and others	**78%**	**104%**	35%	51%

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions.

26 Insurance risk (continued)

Risk management framework (continued)

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

It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

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

	For the year ended 31 December	
	2023	2022
	AED	AED
Impact of change in loss ratio by + 2%		
Motor	**37,509**	277,430
Engineering, fire, general accidents, and others	**85,735**	334,460
Life	**-**	16,105
Total	**123,244**	627,995

Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting year to derive data for the contracts held. The Company has reviewed the individual contracts 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 Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

The Bornhuetter-Ferguson method uses a combination of a benchmark or market- based estimate and an estimate based on claims experience. The former is based on a measure of exposure such as premiums; the latter is based on the paid or incurred claims to date. The two estimates are combined using a formula that gives more weight to the experience-based estimate as time passes. This technique has been used in situations in which developed claims experience was not available for the projection (recent accident years or new classes of business).

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 a weighted average of different techniques have been selected for individual accident years or groups of accident years within the same class of business. The Company has an internal actuary and

26 Insurance risk (continued)

Risk management framework (continued)

Process used to decide on assumptions (continued)

Independent external actuaries are also involved in the valuation of technical reserves of the Company and has used historical data for the past 9 years.

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate.

However, it recognizes that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Sensitivity analysis

Measured under PAA

2023	Change in assumptions	Impact on net profit gross of reinsurance AED	Impact on net profit net of reinsurance AED	Impact on equity gross of reinsurance AED	Impact on equity net of reinsurance AED
Expected loss	+5%	(338,295)	74,997	(338,295)	74,997
Inflation rate	+1%	34,041	(15,738)	34,041	(15,738)
Expected loss	-5%	232,849	(62,378)	232,849	(62,378)
Inflation rate	-1%	(63,362)	6,309	(63,362)	6,309

2022	Change in assumptions	Impact on net profit gross of reinsurance AED	Impact on net profit net of reinsurance AED	Impact on equity gross of reinsurance AED	Impact on equity net of reinsurance AED
Expected loss	+5%	(2,172,295)	844,265	(2,172,295)	844,265
Inflation rate	+1%	218,587	(177,171)	218,587	(177,171)
Expected loss	-5%	1,495,193	(702,216)	1,495,193	(702,216)
Inflation rate	-1%	(406,869)	71,025	(406,869)	71,025

27 Capital risk management

The Company's objectives when managing capital, which the Company considers to be the equity as shown in the statement of financial position, are:

- to comply with the insurance capital requirements required by UAE Federal Law No. (48) of 2023 (previously Federal Law No. 6 of 2007, as amended), concerning Financial Regulations of Insurance Companies issued by the Central Bank of United Arab Emirates and regulation of its operations;
- to protect its policyholders' interests;
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In the UAE, the CBUAE specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.
The table below summarises the minimum required capital of the Company and the total capital held.

	2023 AED	2022 AED
Total Capital held	**150,000,000**	150,000,000
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**74,907,234**	74,050,097
Minimum Guarantee Fund (MGF)	**24,969,078**	24,683,366
Basic Own Funds	**194,881,924**	191,986,419
MCR solvency margin - (surplus)	**94,881,924**	91,986,419
SCR solvency margin - (surplus)	**119,974,690**	117,936,322
MGF Solvency Margin - (surplus)	**169,912,846**	167,303,054

The UAE Insurance Companies register of the Central Bank of the U.A.E. ("CBUAE") has issued resolution no. 42 for 2009 setting the minimum subscribed or paid-up capital of AED 100 million for establishing insurance companies and AED 250 million for reinsurance companies. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Company is in compliance with these rules.

Further, as per Article (8) of section (2) of financial regulations issued for insurance companies in U.A.E., the Company shall at all times comply with the requirements of solvency margin. As of 31 December 2023, the Company has complied with the requirements of solvency margin.

28 Fair value measurement

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

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

28 Fair value measurement (continued)

- Level 1 the fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.
- Level 2 the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in Level 2.
- Level 3 if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined using the same valuation techniques and assumptions as those used for the year ended 31 December 2022.

Fair value of the Company's financial assets that are measured at fair value on recurring basis

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	31 December 2023 AED	31 December 2022 AED				
Investment designated at FVTOCI						
Quoted equity securities	**31,153,928**	32,285,645	Level 1	Quoted bid prices in an active market	None.	NA
Unquoted equity securities	**5,508,711**	4,701,164	Level 3	Multiple based and OTC based market valuation methods	Net assets value.	Higher the net assets value of the investees, higher the fair value
Investment designated at FVTPL						
Quoted equity securities	**139,459,078**	133,910,440	Level 1	Quoted bid prices in an active market	None.	NA.
Unquoted equity securities	**75,747**	345,289	Level 3	Multiple based and OTC based market valuation methods	Net assets value	Higher the net assets value of the investees, higher the fair value
	176,197,464	171,242,538				

There was no transfer between the levels during the year. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

29. Financial risk

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are market risk (which includes: foreign currency risk, equity and debt price risk and interest rate risk), credit risk, liquidity risk and operational risk.

Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks may arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a regular basis.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk

There are no significant exchange rate risks as all monetary assets and monetary liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Company has not hedged its foreign currency exposure.

Equity price risk

Equity 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 Company is exposed to equity price risk with respect to its quoted equity investments. The Company limits equity price risk by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect stock and market movements, including analysis of the operational and financial performance of investees.

At the end of the reporting year, if the equity prices are 10% higher / lower as per the assumptions mentioned below and all the other variables were held constant, the Company's statement of profit or loss and other comprehensive income for the year ended 31 December 2023 would have increased / (decreased) by AED 17,619,746 (year ended 31 December 2022: AED 17,124,254).

Method and assumptions for sensitivity analysis:

- The sensitivity analysis has been done based on the exposure to equity and debt price risk as at the end of the reporting year.
- As at the end of the reporting year if equity and debt prices are 10% higher / lower on the market value uniformly for all equity and debt while all other variables are held constant, the impact on profit and other comprehensive income for the year has been shown above.
- A 10% change in equity and debt prices has been used to give a realistic assessment as a plausible event.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2023, bank deposits carry fixed interest rates ranging from .55% to 5.5% per annum (31 December 2022: 0.50% to 1.45% per annum) and therefore not exposed to cashflow interest rate risk.

29 Financial risk (continued)

Credit risk

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

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

- insurance receivables;
- other receivables;
- investment securities
- deposits
- cash and cash equivalents

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

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

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Company's maximum exposure to credit risk.

30 Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

30 Operational risk (continued)

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorization and reconciliation procedures, staff training and assessment processes etc. with a focus on compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

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. Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.
The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities to ensure that funds are available to meet its commitments for liabilities as they fall due.

The table below summarizes the maturity profile of the Company's financial assets, financial liabilities, insurance contract liabilities and reinsurance contracts assets held. The maturity analysis has been presented on a contractual undiscounted cash flow basis except for insurance contract liabilities and reinsurance contract assets held which have been presented on their expected cash flows.

The contractual maturities of the financial instruments have been determined on the basis of the remaining year at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Less than 1 year AED	1-5 years AED	5+ years AED	No maturity AED	Total AED
31 December 2023					
Financial assets					
FVTPNL investments – equity	**139,534,825**	**-**	**-**	**-**	**139,534,825**
FVTOCI investments – equity	**36,662,639**	**-**	**-**	**-**	**36,662,639**
Statutory deposit	**7,500,000**	**-**	**-**	**-**	**7,500,000**
Other receivables	**4,649,799**	**-**	**-**	**-**	**4,649,799**
Bank balances and cash	**31,356,358**	**-**	**-**	**-**	**31,356,358**
	219,703,621	**-**	**-**	**-**	**219,703,621**
Financial liabilities					
Other payables	**1,297,365**	**-**	**-**	**-**	**1,297,365**
Lease liability	**41,355**	**10,510**	**-**	**-**	**51,865**
Bank overdrafts	**2,578,269**	**-**	**-**	**-**	**2,578,269**
	3,916,989	**10,510**	**-**	**-**	**3,927,499**
Restated					
31 December 2022					
Financial assets					
FVTPNL investments – Equity	134,255,729	-	-	-	134,255,729
FVTOCI investments – equity	-	-	-	36,986,809	36,986,809
Statutory deposit	-	-	-	5,000,000	5,000,000
Other receivables	850,604	-	-	-	850,604
Bank balances and cash	39,137,164	-	-	-	39,137,164
	174,243,497	-	-	41,986,809	216,230,306
Financial liabilities					
Other payables	1,297,365	-	-	-	1,297,365
Lease liability	750,845	468,179	-	-	1,219,024
Bank overdrafts	8,465	-	-	-	8,465
	2,056,675	468,179	-	-	2,524,854

Notes to the financial statements (continued)
For the year ended 31 December 2023

31 Segment information

For management purposes, the Company is organized into two segments: underwriting and investment. Underwriting segment comprises engineering and motor insurance, marine insurance, fire insurance, and other insurances. Investment segment includes investments inside and outside UAE, marketable equity securities, term deposit with banks and investment properties. Segment-wise information is disclosed below. These segments are the basis on which the Company reports its primary segment information to the Managing Director.

For the year ended 31 December 2023

	Underwriting (AED)					Investments	Total
	Motor and Engineering	Fire	Marine	Others	Total	AED	AED
Insurance service revenue	9,726,746	8,742,267	1,030,873	1,961,509	21,461,395		21,461,395
Insurance service expenses	(1,935,269)	(11,539,998)	(1,028,164)	(261,052)	(14,764,483)		(14,764,483)
Net expenses from reinsurance contracts held	(7,072,113)	1,043,212	122,170	(2,246,365)	(8,153,096)		(8,153,096)
Net insurance finance income	(214,739)	(49,747)	(8,556)	(62,087)	(335,129)		(335,129)
Segment result	504,625	(1,804,266)	116,323	(607,995)	(1,791,313)	16,367,320	14,576,007
Unallocated costs							1,630,653
Profit for the year							16,206,660
As at 31 December 2023							
Segment assets					34,302,578	247,766,130	282,068,708
Unallocated assets							19,815,577
Total assets							301,884,285
Segment liabilities					42,694,430	-	42,694,430
Unallocated liabilities							6,023,988
Total liabilities							48,718,418

Notes to the financial statements (continued)
For the year ended 31 December 2023

31 Segment information (continued)

For the year ended 31 December 2022 (*Restated*)

	Underwriting (AED)					Investments	Total
	Motor and Engineering	Fire	Marine	Others	Total	AED	AED
Insurance service revenue	10,442,096	9,422,050	950,912	1,977,916	22,792,974		22,792,974
Insurance service expenses	(8,127,799)	(5,346,637)	(383,894)	3,922,333	(9,935,997)		(9,935,997)
Net expenses from reinsurance contracts held	(3,684,745)	(4,280,499)	(675,645)	(1,902,832)	(10,543,721)		(10,543,721)
Net insurance finance income	138,965	98,472	18,901	(97,931)	158,407		158,407
Segment result	(1,231,483)	(106,614)	(89,726)	3,899,486	2,471,663	33,726,977	36,198,640
Unallocated costs							(2,501,775)
Profit for the year							33,696,865
As at December 2022							
Segment assets					30,145,548	229,346,893	259,492,441
Unallocated assets							37,259,430
Total assets							296,751,871
Segment liabilities					41,019,561	-	41,019,561
Unallocated liabilities							6,020,377
Total liabilities							47,039,938

32 Gross written premiums

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

31 December 2023	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct written premiums	-	-	-	16,992,273	16,992,273
Assumed business	-	-	-	-	-
Foreign	-	-	-	-	-
Local	-	-	-	3,384,516	3,384,516
Total assumed business	-	-	-	3,384,516	3,384,516
Gross written premiums	-	-	-	20,376,789	20,376,789

31 December 2022	Life Insurance AED	Fund Accumulation AED	Medical Insurance AED	Property & Liability AED	All types of Business Combined AED
Direct written premiums	-	-	-	20,273,033	20,273,033
Assumed business	-	-	-	-	-
Foreign	-	-	-	-	-
Local	-	-	-	2,676,991	2,676,991
Total assumed business	-	-	-	2,676,991	2,676,991
Gross written premiums	-	-	-	22,950,024	22,950,024

33 Dividends and Director's remuneration

The board of directors in its meeting held on March 19, 2024, has proposed a final dividend in respect of the year ended December 31, 2023, of AED 10,500,000, 7 fills per share (2022: AED 15,000,000 (10 fills per share)) for approval of the members at the Annual General Meeting. The financial statements for the year ended December 31, 2023, do not include the effect of the proposed dividend, which will be accounted for in the financial statements for the year ending December 31, 2024. Further, Shareholders also approved Board of Directors remuneration of AED 700,000 for 2023 (2022: AED 750,000 for 2022).

34 Corporate income tax

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

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

For the Company, current taxes shall be accounted for as appropriate in the financial statements for the period beginning 1 January 2024. In accordance with IAS 12 income Taxes, the Company has assessed the deferred tax implications for the year ended 31 December 2023 and, after considering its interpretations of applicable tax law, official pronouncements, cabinet decisions and ministerial decisions (especially with regard to transition rules), it has been concluded that it is not material.

35 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements as at and for the year ended 31 December 2023.

36 Approval of financial statements

These financial statements were approved by the Board of Directors and authorized for issue on 19 March 2024.