Ras Al Khaimah National Insurance Company P.S.C.

Directors' report, independent auditor's report and financial statements for the year ended 31 December 2021

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RAK INSURANCE
Simply Better

Ras Al Khaimah National Insurance Company P.S.C.

Directors' report for the year ended 31 December 2021

The Board of Directors has pleasure in submitting their report and the audited financial statements for the year ended 31 December 2021.

Incorporation and registered office

Ras Al Khaimah National Insurance Company P.S.C. (RAK Insurance) was incorporated under an Emiri Decree Number 20/76 issued by HH Ruler of Ras Al Khaimah. The address of the registered office is PO Box 506, Ras Al Khaimah, United Arab Emirates.

Financial position and results

Ras Al Khaimah National Insurance Co. (RAK Insurance) achieved a net profit of AED 10.5M compared to AED 13.5M in the previous year.

Gross written premium decreased by 5% to AED 469M compared to AED 492M in the previous year.

Gross underwriting income from insurance operations decreased to AED 50M compared to AED 69M in the previous year.

The Company's total assets increased from AED 677M to AED 797M and the Shareholders' Equity remained same at AED 203M. The increase is mainly due to increase in reinsurance contract assets and investments.

Total liabilities increased from AED 474M to AED 594M as compared to the previous year. This increase was primarily due to the increase in Insurance contract liabilities, Insurance and other payables and Bank borrowing.

Basic earnings per share is AED 0.09 in the current year compared to AED 0.11 in the previous year on a Capital base of AED 121.3M (2020: AED 121.3M).

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who have contributed to our Company's success. Our sincere appreciation to the executive management and staff for their dedication, commitment, and constant hard work. The Directors would also like to acknowledge our reinsurance partners, customers and all the stakeholders of the Company.

Yours faithfully,

Salem Al Sharhan
Chairman
10 February 2022

شركة رأس الخيمة الوطنية للتأمين الفرع الرئيسي هاتف 54 72 800 فاكس 00 85 228 7 971+ ص. ب: 506 رأس الخيمة. الإمارات العربية المتحدة الإلكتروني info@rakinsurance.com الموقع www.rakinsurance.com
Ras Al Khaimah National Insurance Company (P.S.C.) Tel: 800 72 54, Fax: +971 7 228 85 00, P.O. Box 506, Ras Al Khaimah, UAE., E. info@rakinsurance.com W. www.rakinsurance.com

شركة مساهمة عامة تأسست سنة 1974 برأس مال مدفوع قدره 121,275,000 درهم إماراتي مسجلة لدى هيئة التأمين تحت رقم 84/7 بموجب القانون الاتحادي رقم 2007/6
Public Shareholding Company establishment in 1974 with a paid up capital of AED 121,275,000 Registered at the insurance Authority with registration no. 7/84 in conformity with the Federal Law No.6/2007
VAT Registration No. 100021693500003

Independent auditor's report to the shareholders of Ras Al Khaimah National Insurance Company P.S.C.

Report on the audit of the financial statements

Our qualified opinion

In our opinion, except for the known and possible effects of the matter described in the "Basis for qualified opinion" section of our report, the financial statements present fairly, in all material respects, the financial position of Ras Al Khaimah National Insurance Company P.S.C. (the "Company") as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for qualified opinion

Prior to October 2020, the Company had entered into medical capitation agreements with several medical service providers to cap the cost of claims arising from some of its medical insurance contracts. These agreements meet the definition of reinsurance contracts under International Financial Reporting Standard 4, "Insurance contracts".

Effective 27 October 2020, management terminated the existing medical capitation agreements per the recommendation of the UAE Insurance Authority and is gradually converting the medical policies which were previously underwritten under the capitation schemes, into regular reinsurance coverage in line with all other medical policies.

As a result, the residual impact of such medical policies is an overstatement in "Gross claims settled" and an understatement in "Insurance premiums ceded to reinsurers" in the statements of profit or loss for the years ended 31 December 2021 and 31 December 2020 of 24 million and AED 79 million respectively and an understatement in "Reinsurance contract assets" and "Insurance and other payables" in the statement of financial position as at 31 December 2021 and 31 December 2020 of Nil and AED 24 million respectively.

In addition, because of the lack of available information from third party administrators, management was not able to quantify the cost of the notional claims that the Company would have incurred if the capitation agreements were properly accounted for as reinsurance contracts. As such, both the "Gross claims settled" and "Reinsurance share of claims settled" amounts in the statements of profit or loss for the years ended 31 December 2021 and 31 December 2020 would be understated by the same amount.

There is no impact of any of these misstatements on the "Gross underwriting income" or the "Profit" for the years ended 31 December 2021 and 31 December 2020.

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Mohamed ElBorno, Jacques Fakhoury, Douglas O'Mahony, Murad Alnsour and Rami Sarhan are registered as practising auditors with the UAE Ministry of Economy

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Independent auditor's report to the shareholders of Ras Al Khaimah National Insurance Company P.S.C. (continued)

Basis for qualified opinion (continued)

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

Key Audit Matters	• Valuation of insurance contract liabilities • Impairment losses on Insurance and other receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which the Company operates.

Key audit matters

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

Independent auditor's report to the shareholders of Ras Al Khaimah National Insurance Company P.S.C. (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter

Valuation of insurance contract liabilities
As disclosed in note 10 to these financial statements, the Company's insurance contract liabilities amounted to AED 416 million as at 31 December 2021 (2020: AED 349 million).
 	
Note 10 to these financial statements describes the elements that make up the insurance contract liabilities balance. We comment on the most judgemental elements below:
 	
Outstanding claims
Outstanding claims balance is a material within the financial statements, is highly judgmental and can be complex to calculate in certain instances. The outstanding claims are a best estimate of all claims incurred but not settled at the reporting date.
 	
Claims incurred but not reported:
This reserve represents the liability for claims incurred but not reported at the end of the reporting period, which is determined through an external independent actuarial valuation, considering the Company's historical loss experience. Significant assumptions are applied in the valuation of claims that have been incurred at the reporting date but have not yet been reported to the Company. In addition, lines of business where there is a greater length of time between the initial claim event and the settlement tend to display greater variability between initial estimates and final settlement amounts.
 	
Mathematical reserves:
This reserve represents the liability for the life insurance policies which is determined through an external independent actuarial valuation, considering future policy benefits at the end of each reporting period. It involves complex and subjective judgements and uncertainty about future events for which changes in the assumptions can result in a significant impact to the estimate.
 	
The valuation of the other elements of the Company's insurance contract liabilities was also carried out by an external independent actuarial valuation. We consider the valuation of insurance contract liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management make in determining the reasonableness and adequacy of the insurance contract liabilities.
	As part of our audit procedures, we:
	
	• checked on a sample basis the outstanding claims reserves against supporting documentation, such as loss adjusters' reports;
	• compared on a sample basis the outstanding claims reserves with the subsequent payments, if settled or subsequent reserve amounts, if unsettled;
	• re-performed reconciliations between the data used in the actuarial reserving calculations and the underlying accounting records of the Company;
	• evaluated the competence, objectivity and independence of the Company's appointed external actuaries as well as our audit experts;
	• using our audit experts, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. In particular we assessed:
	    o whether data used by the Company's actuarial expert is reasonable and sufficient to determine actuarial reserves of the Company as at report date
	    o whether the checks applied by the Company's actuarial expert are sufficient to determine the accuracy of the data used for actuarial work;
	    o whether the assumptions and methods used in actuarial report are reasonable to reflect the underlying insurance liabilities of the Company;
	    o whether the Company's actuary has reviewed the claims incurred but not reported claims at prior year end in the light of subsequent development/settlement of these claims and assed the effect of aforesaid on the current year estimate; and
	    o recalculated IBNR on a sample basis for major lines of business.
	• checked the appropriateness of the disclosures made in relation to the valuation of insurance contract liabilities included in these financial statements.

Independent auditor's report to the shareholders of Ras Al Khaimah National Insurance Company P.S.C. (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the Key audit matter
Impairment losses on insurance and other receivables As disclosed in note 11 to these financial statements, the Company's insurance and other receivables as at 31 December 2021 amounted to AED 208 million (2020: AED 222 million) and the related provision for impairment amounted to AED 33 million (2020: AED 55 million). The Company makes complex and subjective judgements over both the timing of recognition of impairment of insurance and other receivables and the estimation of the amount of such impairment using the expected credit loss model. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. We consider the calculation of impairment losses on insurance and other receivables as a key audit matter because of the significance of the insurance and other receivables balance (representing 22% of the total assets as at 31 December 2021), the related estimation uncertainty to the financial statements and the significance of the judgements used in applying the requirements of IFRS 9.	As part of our audit procedures, we: • tested the completeness and accuracy of the input data used in the impairment model calculations; • assessed and reviewed the methodology applied by the Company in calculating the impairment provision to assess its consistency with the requirements of IFRS 9 and tested the appropriateness and reasonableness of key assumptions and judgments used; • for balances determined to be individually impaired, we tested a sample to assess the reasonableness of management's estimated provisions; and • checked the appropriateness of the disclosures made in relation to the impairment of insurance and other receivables included in these financial statements.

Other information

The directors are responsible for the other information. The other information comprises 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 and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

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Independent auditor's report to the shareholders of Ras Al Khaimah National Insurance Company P.S.C. (continued)

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, the UAE Federal Law No. (6) of 2007, as amended, and the related Financial Regulations for Insurance Companies issued by the United Arab Emirates Insurance Authority, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

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

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Law No. (2) of 2015 as amended:

i. we have obtained all the information 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. (2) of 2015, as amended;

iii. the Company has maintained proper books of account;

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

v. as disclosed in note 8 to the financial statements the Company has purchased or invested in shares during the year ended 31 December 2021;

vi. note 26 to the financial statements discloses material related party transactions, and the terms under which they were conducted;

Independent auditor's report to the shareholders of Ras Al Khaimah National Insurance Company P.S.C. (continued)

Report on other legal and regulatory requirements (continued)

vii. based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the year ended 31 December 2021 any of the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2021; and

viii. note 24 to the financial statements discloses the social contributions made during the year ended 31 December 2021.

Further as required by the UAE Federal Law No. (6) of 2007, as amended, and the related Financial Regulations for Insurance Companies issued by the UAE Insurance Authority, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers

10 February 2022

Rami Sarhan
Registered Auditor Number 1152
Place: Ras Al Khaimah, United Arab Emirates

Ras Al Khaimah National Insurance Company P.S.C.

Statement of financial position

	Notes	As at 31 December 2021 AED	As at 31 December 2020 AED
ASSETS			
Property and equipment	5	**1,944,478**	2,504,635
Investment properties	6	**-**	15,296,086
Intangible assets	7	**6,619,820**	7,858,509
Statutory deposit	9	**10,000,000**	10,000,000
Financial assets at fair value through other comprehensive income ("FVTOCI")	8	**112,535,476**	72,906,429
Bank balances and fixed deposits	13	**192,385,619**	181,133,154
Reinsurance contract assets	10	**217,291,902**	166,116,363
Deferred acquisition cost	20	**23,228,424**	24,088,139
Insurance and other receivables	11	**175,405,403**	167,318,389
Cash and cash equivalents	12	**57,392,932**	29,682,191
Total assets		**796,804,054**	676,903,895
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14	**121,275,000**	121,275,000
Statutory reserve	15.1	**49,756,048**	48,708,862
Voluntary reserve	15.2	**20,000,000**	20,000,000
Reinsurance reserve	15.3	**1,872,070**	949,485
Cumulative changes in fair value of FVTOCI investments		**(909,154)**	650,387
Retained earnings		**10,668,762**	11,492,284
Total equity		**202,662,726**	203,076,018
LIABILITIES			
Provision for employees' end of service indemnity	16	**6,115,257**	6,064,285
Insurance contract liabilities	10	**415,562,473**	348,693,073
Deferred commission income	19	**15,563,294**	19,240,758
Bank borrowings	18	**33,056,997**	-
Insurance and other payables	17	**123,843,307**	99,829,761
Total liabilities		**594,141,328**	473,827,877
Total equity and liabilities		**796,804,054**	676,903,895

These financial statements were authorised for issue on behalf of the Board of Directors on 10 February 2022 and signed on their behalf by:

Salem Al Sharhan
Chairman

Ewen McRobbie
Chief Executive Officer

Ras Al Khaimah National Insurance Company P.S.C.

Statement of profit or loss

	Notes	For the year ended 31 December 2021 AED	2020 AED
Insurance premium revenue earned	21	**459,352,353**	577,444,159
Insurance premium ceded to reinsurers	21	**(184,165,757)**	(216,439,271)
Net insurance premium revenue earned	21	**275,186,596**	361,004,888
Gross claims settled		**(277,268,762)**	(420,795,877)
Reinsurance share of claims settled		**116,727,718**	177,108,124
Net claims settled		**(160,541,044)**	(243,687,753)
Net change in outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions		**(5,831,043)**	16,116,495
Net change in mathematical reserve		**(418,069)**	(3,651,259)
Net claims incurred		**(166,790,156)**	(231,222,517)
Gross commission earned	19	**18,360,602**	20,804,194
Commission incurred	20	**(76,336,545)**	(81,787,727)
Net commission incurred		**(57,975,943)**	(60,983,533)
Gross underwriting income		**50,420,497**	68,798,838
General and administrative expenses	27	**(55,277,964)**	(52,072,455)
Allowance for impairment	8, 11, 13	**(1,572,917)**	(16,181,765)
Net underwriting (loss) / income		**(6,430,384)**	544,618
Interest income	22	**8,473,195**	8,490,696
Investment income – net	23	**6,866,137**	3,064,799
Gain on sale of property and equipment	5	**1,499**	3,818,989
Other income	28	**1,561,408**	44,346
Other expenses	28	**-**	(2,487,987)
Profit for the year		**10,471,855**	13,475,461
Basic and diluted earnings per share	25	**0.09**	0.11

Ras Al Khaimah National Insurance Company P.S.C.

Statement of comprehensive income

	Notes	For the year ended 31 December 2021 AED	2020 AED
Profit for the year		**10,471,855**	13,475,461
Other comprehensive loss			
Items that will be reclassified subsequently to profit or loss:			
Net change in fair value of debt investments designated at FVTOCI	8	**(691,120)**	2,501,683
Reclassification of gain on disposal of debt investments designated at FVTOCI to the statement of profit or loss	23	**(1,102,114)**	(2,854,233)
Items that will not be reclassified subsequently to profit or loss:			
Realised gain on disposal of equity investments designated at FVTOCI		**376,394**	-
Net change in fair value of investments designated at FVTOCI	8	**233,693**	(213,544)
Total other comprehensive loss for the year		**(1,183,147)**	(566,094)
Total comprehensive income for the year		**9,288,708**	12,909,367

The notes on pages 14 to 87 are an integral part of these financial statements.

Ras Al Khaimah National Insurance Company P.S.C.

Statement of changes in equity

	Share Capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative change in fair value of FVTOCI investments AED	Retained earnings AED	Total AED
Balance at 1 January 2020	115,500,000	47,361,316	20,000,000	-	1,216,481	6,088,854	190,166,651
Profit for the year	-	-	-	-	-	13,475,461	13,475,461
Other comprehensive loss for the year	-	-	-	-	(566,094)	-	(566,094)
Total comprehensive income for the year	-	-	-	-	(566,094)	13,475,461	12,909,367
Transfer to statutory reserve	-	1,347,546	-	-	-	(1,347,546)	-
Transfer to reinsurance reserve (Note 15.3)	-	-	-	949,485	-	(949,485)	-
Issue of bonus shares (Note 14)	5,775,000	-	-	-	-	(5,775,000)	-
Balance at 31 December 2020	**121,275,000**	**48,708,862**	**20,000,000**	**949,485**	**650,387**	**11,492,284**	**203,076,018**
Profit for the year	-	-	-	-	-	**10,471,855**	**10,471,855**
Other comprehensive loss for the year	-	-	-	-	**(1,183,147)**	-	**(1,183,147)**
Total comprehensive income for the year	-	-	-	-	**(1,183,147)**	**10,471,855**	**9,288,708**
Reclassification of realised gain on disposal of equity investments designated at FVTOCI	-	-	-	-	**(376,394)**	**376,394**	-
Transfer to statutory reserve	-	**1,047,186**	-	-	-	**(1,047,186)**	-
Transfer to reinsurance reserve (Note 15.3)	-	-	-	**922,585**	-	**(922,585)**	-
Dividend paid (Note 35)	-	-	-	-	-	**(9,702,000)**	**(9,702,000)**
Balance at 31 December 2021	**121,275,000**	**49,756,048**	**20,000,000**	**1,872,070**	**(909,154)**	**10,668,762**	**202,662,726**

The notes on pages 14 to 87 are an integral part of these financial statements.

Ras Al Khaimah National Insurance Company P.S.C.
Statement of cash flows

	Notes	For the year ended 31 December 2021 AED	2020 AED
Cash flows from operating activities			
Profit for the year		**10,471,855**	13,475,461
Adjustments for:			
Depreciation of property and equipment	5	**1,114,034**	1,449,830
Depreciation of investment properties	6	**42,651**	518,919
Amortisation of intangible assets	7	**1,483,278**	1,481,240
Provision for impairment – net	8,11,12	**1,572,917**	16,181,765
Provision of employees' end of service indemnity	16	**1,136,399**	941,523
Realised loss on disposal of financial asset at FVTPL	23	**-**	412,498
Realised gain on disposal of financial asset at FVTOCI	23	**(1,102,114)**	(2,854,233)
Realised gain on investment property	23	**(4,805,380)**	-
Realised gain on sale of property and equipment		**(1,499)**	(3,818,989)
Written off of property and equipment	5	**62**	-
Net income from investment properties	6	**(183,929)**	(588,773)
Amortisation of premium on FVTOCI debt investments	8	**272,413**	349,764
Interest income	22	**(8,473,195)**	(8,840,460)
Dividend income	23	**(774,714)**	(34,291)
Interest cost on bank borrowing		**23,648**	-
Operating cash flows before changes in operating assets and liabilities and payment of employees' end of service indemnity		**776,426**	18,674,254
(Increase) / decrease in reinsurance contract assets	10	**(51,175,539)**	50,040,252
Decrease in deferred acquisition costs	20	**859,715**	9,208,163
Increase / (decrease) in insurance contract liabilities	10	**66,869,400**	(121,604,247)
(Increase) / decrease in insurance and other receivables		**(7,345,635)**	75,074,781
Increase in current accounts in Lebanese banks	13	**(3,988,161)**	-
Decrease in deferred commission income	19	**(3,677,464)**	(5,371,195)
Increase / (decrease) in insurance and other payables	17	**24,989,898**	(32,806,724)
Net cash generated from / (used in) operations		**27,308,640**	(6,784,716)
Director's remuneration		**(1,000,000)**	(350,000)
Employees' end of service indemnity paid	16	**(1,085,427)**	(557,928)
Net cash generated from / (used in) operating activities		**25,223,213**	(7,692,644)
Cash flows from investing activities			
Purchase of property and equipment	5	**(559,862)**	(1,389,497)
Purchase of intangible assets	7	**(244,589)**	-
Proceeds from disposal of property and equipment		**7,422**	-
Proceeds from sale of financial assets at FVTPL	8	**-**	4,187,440
Proceeds from sale of financial assets at FVTOCI	8	**53,419,867**	48,461,464
Purchase of FVTOCI investments	8	**(100,764,148)**	(46,937,537)
Proceeds from maturity of FVTOCI investments	8	**7,346,000**	-
Proceeds from sale of Investment property		**20,058,815**	-
Interest received		**7,543,966**	10,401,069
Dividend income received		**774,714**	52,623
Rental income received from investment properties	8	**183,929**	588,773
Maturities of fixed deposits with banks with original maturities greater than three months	13	**223,317,494**	132,156,667
Placements of fixed deposits with banks with original maturities greater than three months	13	**(231,951,077)**	(137,797,888)
Net cash (used in)/ generated from investing activities		**(20,867,469)**	9,723,114
Cash flows from financing activities			
Dividends paid	35	**(9,702,000)**	-
Increase in bank borrowing	18	**33,056,997**	-
Net cash generated from financing activities		**23,354,997**	-
Net increase in cash and cash equivalents		**27,710,741**	2,030,470
Cash and cash equivalents at 1 January	12	**29,682,191**	27,651,721
Cash and cash equivalents at 31 December	12	**57,392,932**	29,682,191

Principal non-cash transactions:
There were no non-cash transactions during the year ended 31 December 2021 (31 December 2020: issuance of bonus shares of AED 5.8 million for no consideration).

1 General information

Ras Al Khaimah National Insurance Company P.S.C. (the "Company") is a public joint-stock company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of the Central Bank of the UAE (formerly, the UAE Insurance Authority), under registration number 7.

The Company is required, for the year ended 31 December 2021, to be in compliance with the provisions of the UAE Federal Law No. 2 of 2015, as amended. On 20 September 2021, the UAE Federal Decree Law No. 32 of 2021 ("Companies Law") was issued and came into effect on 2 January 2022 which repealed the UAE Federal Law No. 2 of 2015. The Company has 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021.

Federal Decree Law No. (24) of 2020 which amends certain provisions of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. Effective 2 January 2021, the Insurance Sector became under the supervision and authority of the Central Bank of the UAE ("CBUAE").

The Company is a subsidiary of National Bank of Ras Al Khaimah P.S.C. (the "Parent company") which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates. The address of the Company's registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is to undertake all classes of insurance business including life assurance, saving and accumulation of funds. The Company operates through its head office in Ras Al Khaimah and branch offices in Ras Al Khaimah, Dubai, Sharjah and Abu Dhabi.

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

2.1 New and revised IFRSs applied on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2021, have been adopted in these financial statements. The application of these revised IFRSs, except where stated, has not had any material impact on the amounts reported for the current and prior years.

Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Effective for annual periods beginning on or after 1 January 2021) - In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.
The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

Given the pervasive nature of IBOR-based contracts, the reliefs could affect companies in all industries.

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

2.2 New and revised IFRSs issued but not yet effective and not early adopted

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 "Insurance contracts"	1 January 2023

On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.

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

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 17, 'Insurance Contracts'	1 January 2023

The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

On 28 October 2021, the IASB ('Board') redeliberated the Exposure Draft proposing a narrow-scope amendment relating to the presentation of comparative information on initial application of both IFRS 9, 'Financial Instruments', and IFRS 17, 'Insurance Contracts', considering the feedback from the comment letters received.

The amendment would permit an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17 and IFRS 9. The overlay would allow such assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. Following feedback on the proposals, the Board extended the scope of the overlay to include all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. The overlay could also be applied by entities that already apply IFRS 9. The Board issued the amendment to IFRS 17 on 9 December 2021.

IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.

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

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 17, 'Insurance Contracts' (continued) Management anticipates that IFRS 17 will be adopted in the Company's financial statements on its application date. The application of IFRS 17 will have an impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review. The Company has appointed an external advisor to support the business through the design and implementation phases of IFRS 17. The Company, with the help of the external advisor has performed an operational impact analysis and a financial impact assessment and concluded that all insurance and reinsurance contracts can be accounted for under the Premium Allocation Approach ("PAA") due to the short term nature of the business the Company writes. As a result of this, management does not expect the results of adoption of IFRS 17 to be materially different to those of IFRS 4. Management is currently working with their external advisor to initiate parallel runs between IFRS 17 and IFRS 4 to further assess any gaps that may arise in the implementation of IFRS 17 prior to the effective date.	1 January 2023
Narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	1 January 2022

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

2.2 New and revised IFRSs issued but not yet effective and not early adopted (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1, Presentation of financial statements on classification of liabilities These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	Deferred until accounting periods starting not earlier than 1 January 2024
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	1 April 2021
Narrow scope amendments to IAS 1, Practice Statement 2 and IAS 8 These amendments aim to improve accounting policy disclosures and to help users of the financial statements distinguish between change in accounting estimates and changes in accounting policies.	1 January 2023

The Company is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, where applicable, when they become effective. There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on 1 January 2021 that would be expected to have a material impact on the financial statements of the Company.

3 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented, unless otherwise stated.

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS and the applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015, as amended, United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations, as amended, and the Financial Regulations for Insurance Companies issued by the United Arab Emirates Insurance Authority. The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

3.2 Basis of preparation

The financial statements have been prepared on the historical cost as modified by the revaluation of financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss.

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, insurance and other receivables insurance and other payables and bank borrowing. The following balances would generally be classified as non-current: property and equipment, intangible assets, investment properties and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): reinsurance contract assets, deferred acquisition costs, bank balances and fixed deposits, financial assets at FVTOCI, insurance contract liabilities, deferred commission income and provision for employees' end of service benefits.

The financial statements are presented in Arab Emirate Dirham ("AED").

The principal accounting policies are set out below.

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts

3.3.1 Definition, recognition and measurement

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. As a general guideline, the Company defines as significant insurance risk the probability of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur. Investment contracts are those contracts that transfer financial risk with no significant insurance risk.

Insurance contracts issued by the Company are classified into two main categories, depending on the duration of risk being: short-term insurance contracts and long-term insurance contracts.

3.3.2 Short-term insurance contracts

These contracts are medical, motor, property, casualty, marine, 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.

Marine insurance covers the loss or damage of ships, cargo, terminals, and any transport by which the property is transferred, acquired, or held between the points of origin and the final destination.

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 holders 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).

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non-contractual events.

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Short-term insurance contracts (continued)

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.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) proportionally over the period of the coverage with the exception of marine cargo, where it is assumed that each policy is earned fully in the quarter following the quarter in which it was written; hence the unearned premium reserve ("UPR") at the end of a particular quarter will be equal to the written premium in that quarter and engineering where UPR is calculated on increasing risk basis as required in the financial regulation issued by Insurance Authority. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of commissions. Earned premiums are shown as net of gross written premium, unearned premium revenue and unexpired risk reserve.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct claims settlement costs which arise from events that have occurred up to the end of the reporting period even if they have not been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

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.

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Long-term insurance contracts

The Company writes single premium savings plan (Everest Product) which is a hybrid between Universal Life and a traditional Endowment plans for periods of 3, 5 or 7 years. The plan offers guaranteed maturity benefit and death benefit as higher of policy value or single premium paid. Policy value is calculated as the sum of general and separate account values as at the date of valuation.

The general account value is invested in fixed deposits. The value of deposit as at the valuation date is taken to be general account value.

Separate account is invested in international equities by the reinsurer who carries the investment risk.

The reinsurer provides the Company with a policy wise separate account statement on a monthly basis. Since this is a relatively new portfolio with no significant increases in separate account value therefore, the Company takes reinsurance premium paid to the reinsurer for separate account investment as the separate account value. The mathematical reserve is the sum of separate and general account values as at the valuation date.

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised. Premiums are shown before the deduction of commissions. Claims and benefits payable to policyholders are recorded as expense when they are incurred.

3.3.4 Reinsurance contracts held

Contracts entered by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) 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. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss.

3 Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.5 Deferred policy acquisition costs ("DAC")

Commissions and other acquisition costs for short-term insurance contracts that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. DAC is amortised over the terms of the policies as premium is earned.

3.3.6 Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) assets acquired in settling claims (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). The allowance for salvage recoveries is the amount that can be reasonably recovered from the disposal of the asset and the allowance for subrogation reimbursements is the assessment of the amount that can be recovered from the action against the liable third party. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of the insurance liability for claims and recognised within receivables when the liability is settled.

3.3.7 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of contractual future cash flows and claims handling and administrative expenses are used. Any deficiency is immediately charged to profit or loss by establishing a provision for losses arising from liability adequacy tests (the "unexpired risk reserve").

3.4 Revenue recognition

3.4.1 Interest income and expense

Interest income and expenses for all interest-bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount of the financial instrument, except for financial assets that have subsequently become credit-impaired (or stage 3) (refer to Note 3.16.1(ii)), for which interest income is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss provision) and are recognised within 'interest income' in the statement of profit or loss.

3.4.2 Dividend income

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

3 Summary of significant accounting policies (continued)

3.4.3 Rental income

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

3.4.4 Reinsurance commission income

Reinsurance commission income received when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers is recognised as deferred commission income ("DCI"). DCI is amortised over the terms of the policies as premium ceded to reinsurers is expensed.

3.5 Foreign currencies

3.5.1 Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Company's financial statements are presented in Arab Emirates Dirham ("AED"), which is the Company's functional and presentation currency.

3.5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in the the statement of profit or loss. Foreign exchange gains and losses are presented in the statement of profit or loss, within "Investment income – net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

3 Summary of significant accounting policies (continued)

3.6 Employee benefits

3.6.1 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 "General and administrative expenses" within profit or loss.

3.6.2 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 UAE Labour Law and is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Based upon an independent valuation, the present value of the future obligations is in line with the outstanding balance.

3.6.3 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.

3.7 Property and equipment

Land and buildings are recognised at historical cost, less subsequent depreciation and impairment if any for buildings only. All other property and equipment are carried at historical cost less accumulated depreciation and any identified impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

3 Summary of significant accounting policies (continued)

3.7 Property and equipment (continued)

Depreciation is calculated using the straight-line method to allocate the cost or revalued amounts of the assets, net of their residual values, over their estimated useful lives as follows:

Buildings	25 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years
Computer equipment	4 years

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

The gain or loss arising on the disposal or retirement of an 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 profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.10).

3.8 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

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 useful life of investment properties is estimated at 30 years.

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 profit or loss in the period of retirement or disposal.

3.9 Intangible assets

Intangible assets comprise computer software and 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 period, 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 10 years.

3 Summary of significant accounting policies (continued)

3.10 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

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.

3 Summary of significant accounting policies (continued)

3.11 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 recognized 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 period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

3.12 Leases

The Company leases various offices. Rental contracts are typically annually renewable with the option of termination during the contract period subject to serving relevant notice period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable by the Company under residual value guarantees,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

3 Summary of significant accounting policies (continued)

3.12 Leases (continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Company's leases are assessed as short-term in nature and the payments made under the leases (net of any incentives received from the lessor) were charged to the statement of profit or loss on a straight-line basis over the period of the lease. Accordingly, the Company does not record any right of use assets.

Lease income from operating leases where the Company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

3.13 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.

3.14 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.

3.15 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

3 Summary of significant accounting policies (continued)

3.15 Financial assets and liabilities (continued)

Measurement methods (continued)

Amortised cost and effective interest rate (continued)

The effective interest rate is the rate that exactly discounts estimate future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial asset or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or a financial liability at its fair value plus or minus, in the case of a financial asset or a financial liability not at fair value through profit or loss ("FVTPL"), transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance ("ECL") is recognised for financial assets measured at amortised cost and investments in debt instruments measured at FVTOCI, which results in an accounting loss being recognised in profit or loss when the asset is newly originated.

3.15.1 Financial assets

(i) Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVTPL");
- Fair value through other comprehensive income ("FVTOCI"); or
- Amortised cost

The classification requirements for debt and equity instruments are described below:

3 Summary of significant accounting policies (continued)

3.15 Financial assets and liabilities (continued)

3.15.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds.

Classification and subsequent measurement of debt instruments depends on:
- the Company's business model for managing the assets; and
- the cash flow characteristics of the asset.

Based on those factors, the Company classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"), and that are not designated at FVTPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.16.1 (ii). Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"), and that are not designated at FVTPL, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the statement of profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of profit or loss and recognised in "Investment income – Net". Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in the statement of profit or loss and presented net within "Investment income – Net" in the period in which it arises. Interest income from these assets is included in "Interest income" using the effective interest rate method.

3 Summary of significant accounting policies (continued)

3.15 Financial assets and liabilities (continued)

3.15.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Business model

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the asset or is to collect the contractual cash flows and cash flows arising from the sale of the assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

At initial recognition of a financial asset, the Company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting periods, the Company has not identified a change in its business models.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial assets' cash flows represent solely payments of principal and interest on the principal amount outstanding (the "SPPI test"). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the year.

3 Summary of significant accounting policies (continued)

3.15 Financial assets and liabilities (continued)

3.15.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective, that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Company subsequently measures all equity investments at FVTPL, except where the Company's management has elected, at initial recognition, to irrevocably designate an equity investment at FVTOCI. The Company's policy is to designate equity investments at FVTOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognised in profit or loss as "Investment income" when the Company's right to receive payments is established.

(ii) Impairment

The Company assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and FVTOCI. The Company recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

No impairment loss is recognised on equity investments.

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. For insurance and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. Details of ECL measurement methodology are disclosed in Note 33.2.

3 Summary of significant accounting policies (continued)

3.15 Financial assets and liabilities (continued)

3.15.1 Financial assets (continued)

(ii) Impairment (continued)

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. Forward-looking information considered includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time;
- the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause;
- a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if:

(i) The financial asset has a low risk of default,
(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3 Summary of significant accounting policies (continued)

3.15 Financial assets and liabilities (continued)

3.15.1 Financial assets (continued)

(ii) Impairment (continued)

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Financial assets are written off either partially or in their entirety only when the Company has stopped pursuing the recovery. Any subsequent recoveries are credited to credit loss expense.

(iii) Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control.

Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired financial assets are derecognised when they are assessed as uncollectible.

3.15.2 Financial liabilities

The Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract. All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are subsequently measured at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

3 Summary of significant accounting policies (continued)

3.16 Offsetting of financial assets and liabilities

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

3.17 Dividend distribution

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

3.18 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.

3.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

3 Summary of significant accounting policies (continued)

3.19 Borrowings (continued)

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 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 recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

4.1 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. Details of ECL measurement methodology are disclosed in Note 33.2. 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.

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

4.2 The ultimate liability arising from claims made under insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date. The liability for outstanding claims includes the cost of claims reported but yet to be paid, claims incurred but not reported ("IBNR"), and the estimated expenses to be incurred in settling claims.

The process of establishing liability estimates is subject to considerable variability as it requires the use of informed estimates and judgments. These estimates and judgments are based on numerous factors and may be revised as additional experience becomes available or as regulations change. The liability for outstanding claims is estimated using the input of assessment for individual cases reported to the Company as well as assessments performed by external loss adjustors where deemed necessary. Claims requiring court or arbitration decisions are estimated individually. The Company takes all reasonable steps to ensure that it has appropriate information regarding the risk of major storm, tempest and flood scenarios that exist in the UAE to estimate its claims exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims, where more information about the claim event is available. Classes of business which have a longer reporting tail and where the IBNR proportion of the total reserve is therefore high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty in estimating these liabilities. For the short-tailed classes, claims are typically reported soon after the claim event, and tend to display less variation. In calculating the required levels of provisions, the Company's internal and external independent actuary use a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience.

In arriving at booked claims provisions, management also make allowance for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in patterns of claim incidence, reporting, processing, finalisation and payment;
- changes in the legal environment.
- the impact of inflation (both economic/wage and superimposed).
- changes in the mix of business.
- the impact of large losses.
- the effects of inflation.
- movements in industry benchmarks.
- medical and technological developments.
- changes in policyholder behaviour.

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

4.2 The ultimate liability arising from claims made under insurance contracts (continued)

The methods used to analyse past claim experience and to project future claim experience are largely determined by the available data and the nature of the portfolio. The projections given by the different methodologies assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Outstanding claims and claims incurred but not reported are calculated gross of reinsurance. A separate estimate is made of the amounts recoverable from reinsurers and third parties under reinsurance contracts based on the gross provisions. Future cash flows are not discounted for time value of money.

The Company writes single premium savings plan (Everest Product) which is a hybrid between Universal Life and a traditional Endowment plans. The plan offers guaranteed maturity benefit and death benefit as higher of policy value or single premium paid. The policy value is calculated as the sum of general and separate account values as at the date of valuation.

The general account value is invested in fixed deposits. The value of deposit as at the valuation date is taken to be general account value. The separate account is invested in international equities by the reinsurer who carries the investment risk. The downside risk is hedged by the reinsurer through the purchase of call options to ensure separate account returns does not become negative. The reinsurer provides the Company with a policy wise separate account statement on a monthly basis. Since this is a relatively new portfolio with no significant increases in separate account value therefore, the Company has taken reinsurance premium paid to the reinsurer for separate account investment as the separate account value. The mathematical reserve is the sum of separate and general account values as at the valuation date.

Mathematical reserves of long-term life Everest product include unearned portion of revenue (commission income) to allow for expense reserves.

4.3 Liability adequacy testing

When anticipated losses and loss adjustment expenses are expected to exceed the recorded net unearned premium reserves (net of reinsurer share of unearned premium reserves), an unexpired risk reserve ("URR") is recorded. For the purpose of determining whether a URR is required, insurance contracts are segregated into various classes of business (i.e. medical, motor, fire, property, etc). If the premium deficiency is identified for a particular class of business, the entire deficiency is immediately recognised in the statement of profit or loss. Unexpired risk reserve is estimated using anticipated loss and loss adjustment expenses of the current year. Actual losses in the future period may be materially different from management estimation and may have material impact on the financial statements.

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

4.4 Sale of land and building

The carrying amount of an item of property, plant and equipment shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized. The disposal of an item of property, plant and equipment may occur in a variety of ways (e.g. by sale, by entering into a finance lease or by donation). The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15. IFRS 16 applies to disposal by a sale and leaseback.

Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. Control includes the ability to prevent other entities from directing the use of, and obtaining the benefits from, an asset. The benefits of an asset are the potential cash flows (inflows or savings in outflows) that can be obtained directly or indirectly in many ways, such as by using the asset to produce goods or provide services (including public services), using the asset to enhance the value of other assets, using the asset to settle liabilities or reduce expenses, selling or exchanging the asset, pledging the asset to secure a loan and holding the asset. Management has assessed transfer of control on the sale of land and building and has concluded that the purchaser had access to the land and building prior to 31 December 2020 which allowed the purchaser to direct the use of, and obtain substantially all of the remaining benefits from, the land and building (refer Note 5).

5 Property and equipment

	Land AED	Building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total AED
Cost							
At 1 January 2020	1,000,000	4,869,130	6,717,764	1,027,235	812,705	4,606,657	19,033,491
Additions during the year	-	-	326,466	193,704	-	869,327	1,389,497
Disposals during the year	(1,000,000)	(4,869,130)	-	-	-	-	(5,869,130)
At 31 December 2020	-	-	7,044,230	1,220,939	812,705	5,475,984	14,553,858
Additions during the year	-	-	110,952	31,692	-	417,218	559,862
Disposals during the year	-	-	(8,557)	-	(16,650)	(9,699)	(34,906)
Write offs during the year	-	-	(3,793,141)	(75,745)	-	(317,350)	(4,186,236)
At 31 December 2021	-	-	3,353,484	1,176,886	796,055	5,566,153	10,892,578
Accumulated depreciation							
At 1 January 2020	-	3,309,584	5,439,870	928,695	567,444	3,841,919	14,087,512
Charge for the year (Note 27)	-	178,535	581,141	88,688	107,440	494,026	1,449,830
Disposals during the year	-	(3,488,119)	-	-	-	-	(3,488,119)
At 31 December 2020	-	-	6,021,011	1,017,383	674,884	4,335,945	12,049,223
Charge for the year (Note 27)	-	-	481,211	79,459	81,061	472,303	1,114,034
Disposals during the year	-	-	(4,211)	-	(16,650)	(8,122)	(28,983)
Write offs during the year	-	-	(3,793,096)	(75,739)	-	(317,339)	(4,186,174)
At 31 December 2021	-	-	2,704,915	1,021,103	739,295	4,482,787	8,948,100
Carrying amount							
At 31 December 2021	-	-	**648,569**	**155,783**	**56,760**	**1,083,366**	**1,944,478**
At 31 December 2020	-	-	1,023,219	203,556	137,821	1,140,039	2,504,635

All property and equipment are located in the UAE.

5 Property and equipment (continued)

5.1 Sale of land and building

As per the signed "Property Sale and Purchase Agreement" entered into between the Company and a third-party purchaser dated 17 December 2020, the Company sold its land and building in Al Nakheel area in Ras Al Khaimah to the purchaser. The sale resulted in a gain on sale of AED 3.82 million which was recorded during the year ended 31 December 2020. During the year ended 31 December 2021, the Company collected the proceeds from the sale of the land and building amounting to AED 6.55 million, including value added tax (Note 11).

6 Investment properties

	Land AED	**Buildings** AED	**Total** AED
Cost			
At 31 December 2019	2,500,000	16,908,529	19,408,529
Addition	-	-	-
At 31 December 2020	2,500,000	16,908,529	19,408,529
Disposals during the year	(2,500,000)	(16,908,529)	(19,408,529)
At 31 December 2021	-	-	-
Accumulated depreciation			
At 31 December 2019	-	3,593,524	3,593,524
Charge for the year (Note 27)	-	518,919	518,919
At 31 December 2020	-	4,112,443	4,112,443
Charge for the year	-	42,651	42,651
Disposals during the year (Note 27)	-	(4,155,094)	(4,155,094)
At 31 December 2021	-	-	-
Carrying amount			
At 31 December 2021	-	-	-
At 31 December 2020	2,500,000	12,796,086	15,296,086

The Company's investment properties were measured at cost. At 31 December 2020, the Company held a plot of land located in Sharjah, UAE and 4 villas located in Dubai, UAE.

The Company's investment properties were classified as Level 2 in the fair value hierarchy as at 31 December 2020.

The fair value of the Company's investments properties as at 31 December 2020 amounted to AED 17.7 million and were arrived at on the basis of valuations carried by an independent external professionally qualified valuer who held a recognized relevant professional qualification and had appropriate market experience in the valuation of properties in the United Arab Emirates at the time of valuation.

During the year ended 31 December 2021, management sold the investment properties to independent third parties for AED 20.1 million which has resulted in a gain on disposal of AED 4.8 million (Note 23).

6 Investment properties (continued)

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:

	2021 AED	2020 AED
Rental income	222,047	699,853
Direct operating expenses	(38,118)	(111,080)
Net income from investment properties (Note 23)	183,929	588,773

7 Intangible assets

	Computer software AED
Cost	
At 31 December 2019	14,812,395
Additions during the year	-
At 31 December 2020	14,812,395
Additions during the year	244,589
At 31 December 2021	**15,056,984**
Accumulated amortization	
At 31 December 2019	5,472,646
Charge for the year (Note 27)	1,481,240
At 31 December 2020	6,953,886
Charge for the year (Note 27)	1,483,278
At 31 December 2021	**8,437,164**
Carrying amount	
At 31 December 2021	**6,619,820**
At 31 December 2020	7,858,509

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

The Company's financial investments at the end of reporting period are detailed below.

	2021 AED	2020 AED
FVTOCI	**112,724,162**	73,079,327
Less: Allowance for impairment	**(188,686)**	(172,898)
	112,535,476	72,906,429

The composition of financial investment split between inside the UAE and outside the UAE is as follows:

	Inside UAE		Outside UAE		Total	
	2021 AED	2020 AED	**2021 AED**	2020 AED	**2021 AED**	2020 AED
FVTOCI:						
Quoted debt	**44,281,341**	46,031,582	**67,520,430**	11,467,706	**111,801,771**	57,499,288
Quoted equity	**733,705**	15,407,141	**-**	-	**733,705**	15,407,141
	45,015,046	61,438,723	**67,520,430**	11,467,706	**112,535,476**	72,906,429

The Company has designated all investments in equity and debt instruments that are not held for trading as at FVTOCI. Debt instruments carry interest at the rate of 1.96% to 6.75% (2020: 3.75% to 7.50%) per annum. They are redeemable at par from 2022 to 2033 (2020: 2021 to 2030) based on their maturity dates. There are no significant concentrations of credit risk for debt instruments and the carrying amount reflected above represents the Company's maximum exposure to credit risk for such assets.

During the year, the Company has charged amortisation of premium on debt instruments to profit or loss amounting to AED 272,413 (2020: AED 349,764).

The financial assets held at FVTOCI disclosed above include quoted debt investments amounting to AED 69.6 million as at 31 December 2021 which are pledged against the bank borrowing (Note 18).

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

The movement in the financial investments is as follows:

	FVTPL AED	FVTOCI - debt AED	FVTOCI - equity AED
Balance at 31 December 2019	4,599,938	71,846,613	713,556
Additions during the year	-	32,030,408	14,907,129
Proceeds from disposals during the year	(4,187,440)	(48,461,464)	-
Realised gain/(loss) on disposal of financial investments (Note 23)	(412,498)	2,854,233	-
Net change in fair value	-	(352,550)	(213,544)
Amortisation of premium on FVTOCI debt instruments to profit or loss	-	(349,764)	-
Less: Allowance for impairment	-	(68,188)	-
Balance at 31 December 2020	-	57,499,288	15,407,141
Additions during the year	-	**100,598,176**	**165,972**
Proceeds from disposals during the year	-	**(37,970,372)**	**(15,449,495)**
Realised gain on disposal of financial investments (Note 23)	-	**1,102,114**	**376,394**
Maturity during the year	-	**(7,346,000)**	-
Net change in fair value	-	**(1,793,234)**	**233,693**
Amortisation of premium on FVTOCI debt instruments to profit or loss	-	**(272,413)**	-
Less: Allowance for impairment	-	**(15,788)**	-
Balance at 31 December 2021	-	**111,801,771**	**733,705**

Details of allowance for impairment are as follows:

	2021 AED	2020 AED
Balance as at the beginning of the year	**172,898**	104,710
Provision of impairment during the year	**15,788**	68,188
Balance as at the end of the year	**188,686**	172,898

There were no reclassifications between financial investment categories during 2021 and 2020.

All the investments in scope of the impairment model are in Stage 1 and there have been no movements between the stages during the year.

9 Statutory deposit

A deposit of AED 10 million (31 December 2020: AED 10 million) has been placed with one of the banks, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the CBUAE (formerly, the UAE Insurance Authority ("IA")) for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE (formerly, the IA) and bears an interest rate of 0.5% per annum (2020: 2.4% per annum).

10 Insurance contract liabilities and reinsurance contract assets

	2021 AED	2020 AED
Insurance contract liabilities		
- Outstanding claims	**142,334,853**	81,495,011
- Unallocated loss adjustment expense reserve	**4,601,892**	2,840,928
- Claims incurred but not reported	**46,386,077**	52,610,060
- Unexpired risk reserve	**17,730,710**	24,089,413
- Unearned premium	**189,547,859**	173,393,182
- Mathematical reserve	**14,961,082**	14,264,479
	415,562,473	348,693,073
Reinsurance contract assets		
- Outstanding claims	**(106,204,231)**	(58,411,010)
- Claims incurred but not reported	**(30,518,707)**	(27,766,148)
- Unexpired risk reserve	**(13,679,717)**	(21,095,254)
- Unearned premiums	**(65,177,742)**	(57,410,980)
- Mathematical reserve	**(1,711,505)**	(1,432,971)
	(217,291,902)	(166,116,363)
Insurance contract liabilities - net		
- Outstanding claims	**36,130,622**	23,084,001
- Unallocated loss adjustment expense reserve	**4,601,892**	2,840,928
- Claims incurred but not reported	**15,867,370**	24,843,912
- Unexpired risk reserve	**4,050,993**	2,994,159
- Unearned premiums	**124,370,117**	115,982,202
- Mathematical reserve	**13,249,577**	12,831,508
	198,270,571	182,576,710

The insurance contract liabilities and reinsurance contract assets certified by the Company's appointed external actuary according to the requirements of the Financial Regulations for Insurance Companies issued by the UAE Insurance Authority amounted to AED 416 million and AED 217 million respectively as at 31 December 2021 (2020: AED 349 million and AED 166 million respectively). Claims incurred but not reported have been calculated on a best estimate basis. The actuary used Chain Ladder ("CL"), Bornhuetter-Ferguson ("BF"), Expected Loss Ratios ("ELR") and Cape Cod ("CC") methods to estimate the ultimate claims. After applying each of the methods listed, the actuary takes a weighted average of the results of the methods.

10 Insurance contract liabilities and reinsurance contract assets (continued)

Movements in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2021			2020		
	Gross AED	Reinsurance AED	Net AED	Gross AED	Reinsurance AED	Net AED
Claims						
Outstanding claims	81,495,011	(58,411,010)	23,084,001	105,285,383	(69,938,121)	35,347,262
Unallocated loss adjustment expense reserve	2,840,928	-	2,840,928	2,303,998	-	2,303,998
Claims incurred but not reported	52,610,060	(27,766,148)	24,843,912	69,284,747	(40,050,671)	29,234,076
Total at the beginning of the year	136,945,999	(86,177,158)	50,768,841	176,874,128	(109,988,792)	66,885,336
Claims settled during the year	(277,268,762)	116,727,718	(160,541,044)	(420,795,877)	177,108,124	(243,687,753)
Increase in liabilities:						
Arising from current year claims	336,940,079	(178,294,655)	158,645,424	399,077,423	(169,515,911)	229,561,512
Arising from prior year claims	(3,294,494)	11,021,157	7,726,663	(18,209,675)	16,219,421	(1,990,254)
Total at the end of the year	193,322,822	(136,722,938)	56,599,884	136,945,999	(86,177,158)	50,768,841
Outstanding claims	142,334,853	(106,204,231)	36,130,622	81,495,011	(58,411,010)	23,084,001
Unallocated loss adjustment expense reserve	4,601,892	-	4,601,892	2,840,928	-	2,840,928
Claims incurred but not reported	46,386,077	(30,518,707)	15,867,370	52,610,060	(27,766,148)	24,843,912
Total at the end of the year	193,322,822	(136,722,938)	56,599,884	136,945,999	(86,177,158)	50,768,841
Unearned premium and unexpired risk reserves						
Total at the beginning of the year	197,482,595	(78,506,234)	118,976,361	283,123,539	(105,048,419)	178,075,120
Premiums written during the year (Note 21)	469,148,327	(184,516,982)	284,631,345	491,803,215	(189,897,086)	301,906,129
Premiums earned during the year	(459,352,353)	184,165,757	(275,186,596)	(577,444,159)	216,439,271	(361,004,888)
Net increase / (decrease) during the year	9,795,974	(351,225)	9,444,749	(85,640,944)	26,542,185	(59,098,759)
Total at the end of the year	207,278,569	(78,857,459)	128,421,110	197,482,595	(78,506,234)	118,976,361

10 Insurance contract liabilities and reinsurance contract assets (continued)

	2021 AED	2020 AED
Mathematical reserve - gross		
Total at the beginning of the year	**14,264,479**	10,299,653
Increase during the year	**696,603**	3,964,826
Total at the end of the year	**14,961,082**	14,264,479

	2021 AED	2020 AED
Mathematical reserve - reinsurance		
Total at the beginning of the year	**(1,432,971)**	(1,119,404)
Increase during the year	**(278,534)**	(313,567)
Total at the end of the year	**(1,711,505)**	(1,432,971)

10 Insurance contract liabilities and reinsurance contract assets (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 total claims outstanding 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 claims outstanding and claims incurred but not reported for the years up to 2021.

Gross incurred claims at 31 December 2021

Accident year	2016 and prior AED	2017 AED	2018 AED	2019 AED	2020 AED	2021 AED	Total AED
At the end of each reporting year	1,063,379,507	206,708,854	289,482,870	513,297,622	399,077,423	336,940,079	336,940,079
One year later	1,049,998,527	191,259,704	261,270,119	482,305,594	385,519,890	-	385,519,890
Two years later	1,047,623,817	186,630,620	255,518,050	501,177,149	-	-	501,177,149
Three years later	1,033,651,330	186,389,070	254,421,507	-	-	-	254,421,507
Four years later	1,031,214,261	185,210,124	-	-	-	-	185,210,124
Five years later	1,024,881,234	-	-	-	-	-	1,024,881,234
Estimate of cumulative claims	1,024,881,234	185,210,124	254,421,507	501,177,149	385,519,890	336,940,079	2,688,149,983
Cumulative payments to date	(1,021,499,214)	(182,557,054)	(249,399,344)	(493,798,047)	(360,273,327)	(191,902,067)	(2,499,429,053)
Total reserves included in the statement of financial position	3,382,020	2,653,070	5,022,163	7,379,102	25,246,563	145,038,012	188,720,930

10 Insurance contract liabilities and reinsurance contract assets (continued)

Net incurred claims at 31 December 2021

Accident year	2016 and prior AED	2017 AED	2018 AED	2019 AED	2020 AED	2021 AED	Total AED
At the end of each reporting year	718,231,329	113,561,285	125,097,160	267,264,348	229,561,512	158,645,424	158,645,424
One year later	721,240,889	105,199,030	112,608,458	256,386,377	224,471,018	-	224,471,018
Two years later	717,670,445	105,136,987	107,627,969	271,131,930	-	-	271,131,930
Three years later	713,922,637	100,585,664	107,566,657	-	-	-	107,566,657
Four years later	713,190,105	100,051,847	-	-	-	-	100,051,847
Five years later	711,856,838	-	-	-	-	-	711,856,838
Estimate of cumulative claims	711,856,838	100,051,847	107,566,657	271,131,930	224,471,018	158,645,424	1,573,723,714
Cumulative payments to date	(710,639,920)	(98,747,095)	(106,429,950)	(268,791,497)	(217,597,176)	(119,520,084)	(1,521,725,722)
Total reserves included in the statement of financial position	1,216,918	1,304,752	1,136,707	2,340,433	6,873,842	39,125,340	51,997,992

11 Insurance and other receivables

	2021 AED	2020 AED
Premium receivables	**126,726,429**	143,696,633
Reinsurance companies' receivables	**40,074,434**	25,877,294
Insurance agents and brokers receivables	**1,350,299**	392,495
Due from related parties (Note 26)	**21,854,463**	26,162,888
Accrual of interest and other income	**9,569,487**	8,640,258
Advances and prepayments	**7,117,445**	10,007,270
Receivable from sale of land and building (Note 5.1)	**-**	6,552,743
Other receivables	**1,288,055**	696,890
	207,980,612	222,026,471
Less: Allowance for impairment	**(32,575,209)**	(54,708,082)
	175,405,403	167,318,389

The Company always measures the loss allowance for receivables at an amount equal to lifetime ECL. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. Of the gross premium receivables balance at the end of year, AED 13 million (2020: AED 13 million) is due from the Company's largest customer.

Ageing of premium receivables and due from related parties:

	ECL Rates 2021	ECL Rates 2020	**2021 AED**	2020 AED
Not due	**1%**	1%	**75,978,300**	108,040,215
0 - 90 days	**4%**	5%	**37,903,861**	8,388,112
91 - 180 days	**14%**	15%	**9,266,786**	6,625,733
181 - 270 days	**31%**	34%	**3,697,809**	5,269,576
271 – 365 days	**49%**	53%	**3,415,787**	4,788,025
Over 365 days	**84%**	86%	**18,318,349**	36,747,860
			148,580,892	169,859,521
Less: Allowance for impairment			**(22,464,901)**	(50,253,986)
			126,115,991	119,605,535

11 Insurance and other receivables (continued)

Ageing of reinsurance companies' receivables:

	ECL Rates 2021	ECL Rates 2020	**2021 AED**	2020 AED
Not due	**1%**	1%	**699,961**	470,561
0 - 90 days	**4%**	4%	**9,937,632**	10,528,789
91 - 180 days	**7%**	6%	**10,268,980**	5,584,146
181 - 270 days	**16%**	16%	**4,208,453**	538,092
271 – 365 days	**24%**	24%	**3,021,499**	551,077
Over 365 days	**25%**	25%	**11,937,909**	8,204,629
			40,074,434	25,877,294
Less: Allowance for impairment			**(7,803,483)**	(4,060,890)
			32,270,951	21,816,404

Ageing of insurance agents and brokers receivables:

	2021 AED	2020 AED
Not due	-	-
0 - 90 days	-	-
91 - 180 days	-	-
181 - 270 days	-	-
271 – 365 days	-	-
Over 365 days	**1,350,299**	392,495
	1,350,299	392,495
Less: Allowance for impairment	**(1,350,299)**	(392,495)
	-	-

Movements in the allowance for impairment was as follows:

	2021 AED	2020 AED
Balance at 1 January	**54,708,082**	39,036,998
Charge for impairment during the year	**187,850**	16,071,084
Write-offs during the year	**(22,320,723)**	(400,000)
Balance at 31 December	**32,575,209**	54,708,082

The balances written off during the year 2021 predominantly relate to receivables that were fully provided for as at 31 December 2020. Management has assessed those receivables to be non-recoverable during the year and wrote them off after obtaining the necessary approvals.

12 Cash and cash equivalents

	2021 AED	2020 AED
Cash in hand	**24,567**	28,540
Current accounts with banks	**42,032,940**	19,653,651
Fixed deposits with original maturities of three months or less	**15,335,425**	10,000,000
	57,392,932	29,682,191

Fixed deposits with original maturities of three months or less carry interest at the rate of 2.65% (2020: 2.9%) per annum.

13 Bank balances and fixed deposits

	2021 AED	2020 AED
Current accounts with a Lebanese bank	**3,988,161**	-
Allowance for impairment	**(1,394,875)**	-
Total current accounts with a Lebanese bank	**2,593,286**	-
Fixed deposits with original maturity of greater than three months	**189,330,246**	180,346,663
Fixed deposits under lien	**600,000**	950,000
Allowance for impairment	**(137,913)**	(163,509)
Total fixed deposits	**189,792,333**	181,133,154
Total banks balances and fixed deposits	**192,385,619**	181,133,154

The exposure to a Lebanese Bank does not meet the requirements to be classified as Cash and cash equivalents, as cash and cash equivalents are subject to an insignificant risk of changes in value. The balances with a Lebanese bank do not satisfy the criteria of cash and cash equivalents and were classified separately.

Certain fixed deposits with carrying amount of AED 600,000 as at 31 December 2021 (2020: AED 950,000) are under lien against letters of guarantee (Note 29).

The interest rate on fixed deposits with banks ranges between 0.5% to 4.8% (2020: 1% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

13 Bank balances and fixed deposits

Details of allowance for impairment as per IFRS 9 are as follows:

	2021 AED	2020 AED
Balance at the beginning of the year	**163,509**	121,016
Provision of impairment during the year	**1,369,279**	42,493
Balance at the end of the year	**1,532,788**	163,509

All the bank balances and fixed deposits in scope of the impairment model are in Stage 1 and there have been no movements between the stages during the year.

14 Share capital

	2021 AED	2020 AED
Authorised, issued and fully paid:		
121.275 million ordinary shares of AED 1 each (2020: 121.275 million ordinary shares of AED 1 each)	**121,275,000**	121,275,000

At the Annual General Meeting held on 31 March 2020, the shareholders approved a 5% of share capital bonus share amounting to AED 5.775 million for 2019 which resulted in an increase in the number of ordinary shares from 115.5 million to 121.275 million shares. The Company has amended its Articles of Association to reflect the share capital increase after receiving the necessary approvals from the Securities and Commodities Authority ("SCA") and the UAE Insurance Authority.

15 Reserves

15.1 Statutory reserve

In accordance with U.A.E. Federal Law Number (2) of 2015, as amended, and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

15.2 Voluntary reserve

As per the Company's Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the Shareholders' General Assembly. No transfer to voluntary reserve was made during 2021 and 2020.

15 Reserves (continued)

15.3 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has transferred AED 922,585 from 'Retained earnings' to the 'Reinsurance Reserve' being 0.5% of the total insurance premium ceded to reinsurers during the year ended 31 December 2021 (year ended 31 December 2020: AED 949,485). The Company shall accumulate such provision year on year and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE.

16 Provision for employees' end of service indemnity

	2021 AED	2020 AED
Balance at the beginning of the year	**6,064,285**	5,680,690
Charge for the year (Note 27.1)	**1,136,399**	941,523
Amounts paid during the year	**(1,085,427)**	(557,928)
Balance at the end of the year	**6,115,257**	6,064,285

17 Insurance and other payables

	2021 AED	2020 AED
Payables to third party administrators	**35,049,433**	28,230,790
Reinsurance companies' payables	**42,181,096**	27,591,653
Due to related parties (Note 26)	**13,463,225**	3,092,025
Accrued expenses	**6,837,103**	14,532,545
Employees' benefits payable	**2,074,446**	2,257,841
Commission payable	**18,477,442**	17,534,856
Other payable balances	**3,835,190**	4,644,679
Dividends payable	**1,925,372**	1,945,372
	123,843,307	99,829,761

Accrued expenses relate to amounts incurred in the normal course of business such as Director's remuneration, reinsurance accruals and fees payable to regulators and other professionals. These will be paid out in 2022.

17 Insurance and other payables (continued)

The Company's insurance and other payables geographic distribution was as follows:

	2021 AED	2020 AED
Inside U.A.E.	**81,662,211**	72,238,108
Outside U.A.E	**42,181,096**	27,591,653
	123,843,307	99,829,761

18 Bank borrowing

	2021 AED	2020 AED
Short-term bank loan (Note 26)	**33,056,997**	-

During the year, the Company obtained a short-term loan amounting AED 33,056,997 to fund the purchase of investment securities. The loan is secured by assignment of debt investments in the amount of AED 69.6 million as at 31 December 2021 in favor of the National Bank of Ras Al Khaimah, the Parent Company (Note 8). The loan carries an interest rate of 0.85% per annum plus 3 Month USD LIBOR and matures on 8 June 2022.

19 Deferred commission income

	2021 AED	2020 AED
Balance at the beginning of the year	**19,240,758**	24,611,953
Commission received during the year	**14,683,138**	15,432,999
Commission income earned during the year	**(18,360,602)**	(20,804,194)
Balance at the end of the year	**15,563,294**	19,240,758

Of the deferred commission income balance as at 31 December 2021, AED 11,331,949 (2020: AED 10,249,870) is expected to be earned no more than 12 months after the reporting period and AED 4,231,345 (2020: AED 8,990,888) is expected to be earned more than 12 months after the reporting period.

20 Deferred acquisition costs

	2021 AED	2020 AED
Balance at the beginning of the year	**24,088,139**	33,296,302
Acquisition costs paid during the year	**75,476,830**	72,579,564
Amortisation charge for the year	**(76,336,545)**	(81,787,727)
Balance at the end of the year	**23,228,424**	24,088,139

Of the deferred acquisition costs balance as at 31 December 2021, AED 19,167,846 (2020: AED 15,368,166) is expected to be amortised no more than 12 months after the reporting period and AED 4,060,578 (2020: AED 8,719,973) is expected to be amortised more than 12 months after the reporting period.

In accordance with the CBUAE (formerly, the IA) Board of Directors' Decision no. (49) of 2019, the Company amended the accounting for the Credit Life policies sold through the Parent company with effect from 1 May 2020. The in-force policies were treated in accordance with the Article 15 of the CBUAE (formerly, the IA) Board of Director's Decision No. 49 of 2019. Policies written after 16 October 2020 follow the commission caps stipulated by the regulation.

21 Net insurance premium revenue

	2021 AED	2020 AED
Gross written premiums		
Gross written premiums	**469,148,327**	491,803,215
Change in unearned premiums (Note 10)	**(16,154,677)**	76,890,466
Change in unexpired risk reserve ("URR") (Note 10)	**6,358,703**	8,750,478
	459,352,353	577,444,159
Reinsurance premium ceded		
Reinsurance premiums ceded	**(184,516,982)**	(189,897,086)
Change in reinsurance share of unearned premiums (Note 10)	**7,766,762**	(21,223,068)
Change in reinsurance share of unexpired risk reserve ("URR") (Note 10)	**(7,415,537)**	(5,319,117)
	(184,165,757)	(216,439,271)
Net insurance premium revenue	**275,186,596**	361,004,888

22 Interest income

	2021 AED	2020 AED
Interest income from fixed deposits	**6,620,378**	6,209,575
Interest income from financial investments at FVTPL and FVTOCI	**1,852,817**	2,281,121
	8,473,195	8,490,696

23 Investment income – (net)

	2021 AED	2020 AED
Dividend income from financial investments	**774,714**	34,291
Net income from investment properties (Note 6)	**183,929**	588,773
Realised loss on disposal of financial investments at FVTPL (Note 8)	**-**	(412,498)
Realised gain on disposal of financial investments at FVTOCI (Note 8)	**1,102,114**	2,854,233
Realised gain on disposal of investment properties (Note 6)	**4,805,380**	-
	6,866,137	3,064,799

24 Social contributions

Social contributions during the year amounted to AED 17,632 (2020: AED 5,120).

25 Basic and diluted earnings per share

	2021 AED	2020 AED
Profit for the year (in AED)	**10,471,855**	13,475,461
Weighted average number of shares	**121,275,000**	121,275,000
Basic and diluted earnings per share (in AED)	**0.09**	0.11

Basic earnings per share are calculated by dividing the profit for the year by the number of weighted average shares outstanding during the reporting period. Diluted earnings per share is equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

26 Related party balances and transactions

The Company, in the normal course of business, collects premiums, settles claims, and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24. 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. The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

26.1 Amounts due from / (to) related parties included in the statement of financial position were as follows:

	2021 AED	2020 AED
Due from Parent company (premiums receivable)	**9,036,076**	14,987,279
Due from directors (premiums receivable)	**6,300**	25,973
Due from other related parties under common control (premiums receivable)	**12,812,087**	11,149,636
Total due from related parties (Note 11)	**21,854,463**	26,162,888
Due to Parent company (commission payable)	**(13,428,722)**	(3,032,592)
Due to other related parties under common control (claims payable)	**(34,503)**	(59,433)
Total due to related parties (Note 17)	**(13,463,225)**	(3,092,025)
Fixed deposits placed with Parent company	**41,725,250**	36,450,000
Bank balances placed with Parent company	**35,988,821**	18,107,377
Bank borrowing (parent company) (Note 18)	**(33,056,997)**	-
Allowance for impairment on premiums receivable (parent company)	**(66,004)**	(428,274)

Balances due from and to related parties are interest free and repayable on demand, except for the bank borrowing disclosed in Note 18.

26 Related party balances and transactions (continued)

26.2 Transactions with related parties during the year were as follows:

	2021 AED	2020 AED
Gross written premiums (Parent company)	**127,788,929**	114,755,508
Gross written premiums (directors)	**98,585**	121,321
Gross written premiums (other related parties under common control)	**26,490,028**	21,010,545
Commission expenses (Parent Company)	**(53,632,507)**	(39,202,542)
Claims paid (Parent company)	**(61,218,606)**	(47,572,285)
Claims paid (other related parties under common control)	**(1,315,263)**	(2,183,946)
Rent expenses (parent company)	**(475,000)**	-
Internal audit fee (parent company)	**(500,000)**	-
Interest income (parent company)	**616,282**	1,113,859
Dividends (Parent company)	**(7,687,069)**	-
Dividends (directors)	**(1,511,200)**	-
Interest cost (Parent company)	**(23,648)**	-
Release of / (provision for) impairment (Parent company)	**(362,270)**	376,466

During the year ended 31 December 2021, the Company has sold financial assets at FVTOCI amounting to AED 53.4 million (31 December 2020: AED 52.6 million) and purchased financial assets at FVTOCI amounting to AED 100.8 million (31 December 2020: AED 47.2 million) through the Parent company to / from external parties.

26.3 Compensation of Board of Directors and key management personnel were as follows:

	2021 AED	2020 AED
Short-term benefits	**6,010,314**	5,208,653
Long-term benefits	**266,836**	162,366
Board of Directors' remuneration	**1,000,000**	1,350,000

27 General and administrative expenses

	2021 AED	2020 AED
Staff costs (Note 27.1)	**34,540,893**	30,356,717
Professional fees	**2,108,197**	4,134,659
Marketing expenses	**315,386**	239,306
Communication expenses	**814,509**	1,146,478
Travel and entertainment expenses	**154,436**	111,749
Depreciation of property and equipment (Note 5)	**1,114,034**	1,449,830
Depreciation of investment properties (Note 6)	**42,651**	518,919
Amortisation of intangible assets (Note 7)	**1,483,278**	1,481,240
Rental costs – operating leases	**1,148,805**	713,456
Administration and license expenses	**907,538**	811,640
IT, utilities and maintenance	**3,983,125**	3,057,629
Supervision and training fees	**2,271,777**	2,379,387
Bank charges	**911,493**	1,007,343
Other expenses	**5,481,842**	4,664,102
	55,277,964	52,072,455

27.1 Staff costs

	2021 AED	2020 AED
Salaries and allowances	**27,506,404**	24,045,008
Employees' end of service benefits (Note 16)	**1,136,399**	941,523
Staff insurance	**1,668,633**	1,553,308
Other staff benefits	**4,229,457**	3,816,878
	34,540,893	30,356,717

28 Other income / (expenses)

Other income or expenses represent net expenses that are not attributable to the underwriting activities of the Company.

29 Contingent liabilities

	2021 AED	2020 AED
Letters of guarantee	**10,567,481**	10,619,972

The above bank guarantees were issued in the normal course of business.

The 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.

30 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.

30 Insurance risk (continued)

Risk management framework (continued)

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.

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.

30 Insurance risk (continued)

30.1 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 350,000 for motor insurance and AED 50,000 for medical insurance class of business in any policy (2020: AED 350,000 for motor insurance and AED 50,000 for medical insurance). On 1 April 2021 the limit for medical changed to AED 100,000 so all the medical claims incurred from 1 April 2021 onwards will be considered as per AED 100,000. In addition to the overall Company reinsurance program, business units are permitted to purchase additional facultative reinsurance protection, if needed. Whenever required, the Company engages professional competent surveyors for claims management. The surveyors using their market knowledge and expertise may investigate and recommend adjustments to claims. The claims are reviewed individually at least once a year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors.

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:

30 Insurance risk (continued)

30.1 Frequency and severity of claims (continued)

	2021			2020		
	Gross AED	**Reinsurers' share AED**	**Net AED**	Gross AED	Reinsurers' share AED	Net AED
Marine and aviation	**5,002,760**	**(4,039,770)**	**962,990**	4,280,583	(3,243,443)	1,037,140
Motor	**67,220,181**	**(26,894,851)**	**40,325,330**	61,590,873	(26,747,358)	34,843,515
Engineering, Fire, General accidents, and others	**127,782,119**	**(107,669,927)**	**20,112,192**	101,598,640	(80,696,018)	20,902,622
Medical	**161,060,630**	**(44,173,122)**	**116,887,508**	159,968,321	(49,840,238)	110,128,083
Life	**54,496,783**	**(34,514,232)**	**19,982,551**	21,254,656	(5,589,306)	15,665,350
	415,562,473	**(217,291,902)**	**198,270,571**	348,693,073	(166,116,363)	182,576,710

30.2 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 many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. The Company involved an independent external actuary as well. 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 period.

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.

30 Insurance risk (continued)

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

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

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

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

	2021		2020	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Motor	64%	71%	78%	62%
Marine and aviation	-7%	-20%	28%	29%
Medical	82%	81%	80%	79%
Life	58%	13%	34%	16%
Engineering, fire, general accidents and others	71%	18%	46%	29%

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. 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:

30 Insurance risk (continued)

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

	2021 AED	2020 AED
Impact of change in loss ratio by +/- 1%		
Motor	**321,249**	209,066
Marine and aviation	**9,496**	2,663
Medical	**1,654,178**	1,892,827
Life	**535,801**	86,053
Engineering, fire, general accidents and others	**241,710**	87,258
	2,762,434	2,277,867

30.3 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 period 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).

30 Insurance risk (continued)

30.3 Process used to decide on assumptions (continued)

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 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.

The Company did not change its assumptions for the valuation of the insurance contract liabilities during the year.

30.4 Concentration of insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates. In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements.

31 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 U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations, as amended;
- 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.

31 Capital risk management (continued)

In the U.A.E., the CBUAE (formerly, the IA) 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.

	2021 AED	2020 AED
Total capital held	**121,275,000**	121,275,000
Minimum regulatory capital	**100,000,000**	100,000,000

The U.A.E. Insurance Authority 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 U.A.E. should be owned by U.A.E. or G.C.C. national individuals or corporate bodies. The Company is in compliance with these rules.

As per Article (8) of Section (2) of the Financial Regulations issued for insurance companies in the UAE, the Company shall at all times throughout the year comply with the requirement of solvency margins. The solvency regulations identify the required solvency margin to be held in addition to insurance liabilities. The Company has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with these regulations. The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	2021 AED (Unaudited)	2020 AED (Unaudited)
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**76,716,761**	60,520,219
Minimum Guarantee Fund (MGF)	**64,592,340**	85,507,137
Basic Own Funds	**152,963,193**	146,601,735
Ancillary Own Funds		
	52,963,193	46,601,735
MCR Solvency Margin - Minimum Capital Requirement (Surplus/Deficit)	**76,246,433**	86,081,516
MCR Solvency Margin Solvency Capital Requirement (Surplus/Deficit)	**88,370,853**	61,094,598

32 Financial instruments

32.1 Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

32.2 Categories of financial instruments

	2021 AED	2020 AED
Financial assets		
Statutory deposit – at amortised cost	**10,000,000**	10,000,000
FVTOCI investments – debt	**111,801,771**	57,499,288
FVTOCI investments – equity	**733,705**	15,407,141
Bank balances and fixed deposits – at amortised cost	**192,385,619**	181,133,154
Insurance and other receivables excluding advances and prepayments – at amortised cost	**168,287,958**	157,311,119
Cash and cash equivalents – at amortised cost	**57,392,932**	29,682,191
	540,601,985	451,032,893
Financial liabilities		
Bank borrowing – at amortised cost	**33,056,997**	-
Insurance and other payables excluding accrued expenses – at amortised cost	**117,006,204**	85,297,216
	150,063,201	85,297,216

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values due to their short-term nature for the current financial assets and liabilities, and for the financial assets and liabilities that are of mixed nature the impact of discounting is immaterial.

32.3 Fair value measurements

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.

32 Financial instruments (continued)

32.3 Fair value measurements (continued)

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

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

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

The fair values of financial assets and financial liabilities are determined using same valuation techniques and assumptions as used for the year ended 31 December 2020.

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 period. 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
	2021 AED	2020 AED				
FVTOCI investments						
Debt securities	**104,491,681**	50,209,906	Level 1	Quoted bid prices in an active market.	None	Not applicable
Debt securities	**7,310,090**	7,289,382	Level 2	Quoted bid prices from third parties.	None	Not applicable
Quoted equity	**733,705**	15,407,141	Level 1	Quoted bid prices in an active market.	None	Not Applicable

There were no transfers between any of 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.

33 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.

33.1 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.

33.1.1 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.

33.1.2 Equity and debt price risk

Equity and debt 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 and debt price risk with respect to its quoted equity and debt investments. The Company limits equity and debt 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 period, if the equity and debt prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Company's other comprehensive income and equity would have increased/(decreased) by AED 11,253,548 (2020: AED 7,290,643).

33 Financial risk (continued)

33.1 Market risk (continued)

33.1.2 Equity and debt price risk (continued)

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 period.
- As at the end of the reporting period 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.

33.1.3 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is not significantly exposed to interest rate risk on its financial investments in debt instruments and term deposits since they carry fixed interest rates. As such, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

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

If the interest rates on the bank borrowing had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 31 December 2021 would increase or decrease by AED 22,956.

33.2 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:

- reinsurance contract assets;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from other insurance companies;
- investments in debt instruments;
- cash and cash equivalents excluding cash in hand; and
- fixed deposits

33 Financial risk (continued)

33.2 Credit risk (continued)

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. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

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 and other receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. 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.

For insurance and other receivables, the Company applied the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected impairment provision for insurance and other receivables. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions.

33 Financial risk (continued)

33.2 Credit risk (continued)

On that basis, the impairment provision as at 31 December 2021 and 31 December 2020 was determined as follows for insurance and other receivables based on the expected loss rates disclosed in Note 11:

	Not Yet Due AED	< 90 days AED	91-180 days AED	181-270 days AED	271 – 365 days AED	> 365 days AED	Total AED
2021							
Gross carrying amount - insurance and other receivables	**76,678,261**	**47,841,493**	**19,535,766**	**7,906,262**	**6,437,286**	**31,606,557**	**190,005,625**
Impairment provision	**(575,550)**	**(2,040,952)**	**(2,087,978)**	**(1,799,150)**	**(2,392,861)**	**(23,678,718)**	**(32,575,209)**
	76,102,711	**45,800,541**	**17,447,788**	**6,107,112**	**4,044,425**	**7,927,839**	**157,430,416**
2020							
Gross carrying amount - insurance and other receivables	108,510,776	18,916,901	12,209,879	5,807,668	5,339,102	45,344,984	196,129,310
Impairment provision	(1,082,210)	(2,541,226)	(1,459,436)	(1,872,831)	(2,679,444)	(45,072,935)	(54,708,082)
	107,428,566	16,375,675	10,750,443	3,934,837	2,659,658	272,049	141,421,228

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Insurance and other 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 and other receivables.

At the end of the reporting period, all premium receivables are situated within the U.A.E. The Company's maximum exposure to credit risk, from reinsurance companies' receivables situated outside the U.A.E. were as follows:

	2021 AED	2020 AED
Europe	**31,310,667**	14,445,854
Asia	**5,275,076**	175,348
Other MENA countries	**220,181**	8,994,335
Africa	**52,727**	27,512

33 Financial risk (continued)

33.2 Credit risk (continued)

The table below presents an analysis of reinsurance receivable balances at the end of the reporting period based on Moody's rating or its equivalent:

	2021 AED	2020 AED
A1	**14,481,792**	594,830
A2	**176,041**	13,845,968
A3	**21,880,495**	4,354
Baa1	**3,536,106**	-
Baa2	**-**	11,432,142
	40,074,434	25,877,294

The majority of the company's premium receivables are unrated except balances with the Parent company amounting to AED 9 million (2020: AED 15 million) (Note 26) which has rating of Baa. However, the Company in the ordinary course of business deals with reputable local companies and has the ability to net receivables with claims payable and cancel policies if there are no payments.

A 10% increase/(decrease) in historical loss experience based on which the credit loss allowances for insurance and other receivables were estimated at 31 December 2021 would result in an increase/(decrease) in credit loss allowances of AED 1,674,401 (2020: AED 1,884,130).

There is no significant concentration of credit risk with respect to cash and bank balances, as the Company holds cash accounts in a large number of financial institutions. Of the bank balances and fixed deposits balance at the end of year, AED 110 million (2020: AED 98 million) is placed with one bank. The credit risk on liquid funds is limited because the single largest counterparty is a UAE sovereign bank. The table below presents an analysis of bank balances and cash and fixed deposits by rating agency designation at the end of the reporting period based on Moody's rating or its equivalent for the main banking relationships:

	2021 AED	2020 AED
Aa3	**3,671,685**	582,254
A1	**94,673**	112,789
A2	**2,081,588**	432,100
A3	**-**	36,493,548
Baa1	**251,313,733**	182,894,272
Not rated	**2,592,305**	271,842
	259,753,984	220,786,805

33 Financial risk (continued)

33.2 Credit risk (continued)

The Company's financial assets at FVTOCI are held across various countries.

	2021 AED	2020 AED
Aa2	**10,024,453**	-
Aa3	-	7,989,120
A1	**9,983,624**	-
A2	**20,758,355**	13,539,132
A3	**10,051,289**	3,493,160
Baa1	-	3,975,540
Baa2	**582,330**	4,492,062
Baa3	**9,782,540**	7,710,161
Ba1	**6,955,405**	8,925;187
Ba2	**7,268,939**	11,269,515
Ba3	**16,919,855**	-
B1	**7,829,372**	11,467,707
Not rated	**12,379,314**	44,845
	112,535,476	72,906,429

All the Company's debt investments measured at fair value through other comprehensive income are considered to have low credit risk, and the impairment charge recognised during the year was therefore limited to 12 months' expected losses.

A 10% increase/(decrease) in the probability of default and loss given default estimates as at 31 December 2021 would result in an increase/(decrease) of AED 210,591 (2020: increase/(decrease) AED 64,969) in total expected credit loss allowances on FVTOCI investments, bank balances and fixed deposits.

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.

33 Financial risk (continued)

33.3 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 summarises 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 period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

33 Financial risk (continued)

33.3 Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	5+ years AED	No maturity AED	Total AED
31 December 2021					
Financial assets					
FVTOCI investments – debt	12,286,062	18,456,946	81,058,763	-	111,801,771
FVTOCI investments - equity	-	-	-	733,705	733,705
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	168,287,958	-	-	-	168,287,958
Fixed deposits	182,314,660	10,070,959	-	-	192,385,619
Bank balances and cash	57,392,932	-	-	-	57,392,932
	420,281,612	28,527,905	81,058,763	10,733,705	540,601,985
Financial liabilities					
Bank borrowing	33,056,997	-	-	-	33,056,997
Insurance and other payables	117,006,204	-	-	-	117,006,204
	150,063,201	-	-	-	150,063,201

33 Financial risk (continued)

33.3 Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	5+ years AED	Total AED
31 December 2021				
Insurance contract liabilities				
Outstanding claims	111,052,726	31,249,738	32,389	142,334,853
Unallocated loss adjustment expense reserve	3,590,496	1,010,349	1,047	4,601,892
Claims incurred but not reported	36,191,419	10,184,103	10,555	46,386,077
Unexpired risk reserve	17,699,684	31,026	-	17,730,710
Unearned premiums	189,116,950	430,909	-	189,547,859
Mathematical reserve	-	14,961,082	-	14,961,082
	357,651,275	57,867,207	43,991	415,562,473
Reinsurance contract assets				
Outstanding claims	(81,174,113)	(25,000,834)	(29,284)	(106,204,231)
Claims incurred but not reported	(23,069,724)	(7,439,791)	(9,192)	(30,518,707)
Unexpired risk reserve	(13,648,618)	(31,099)	-	(13,679,717)
Unearned premiums	(65,029,570)	(148,172)	-	(65,177,742)
Mathematical reserve	-	(1,711,505)	-	(1,711,505)
	(182,922,025)	(34,331,401)	(38,476)	(217,291,902)

33 Financial risk (continued)

33.3 Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	5+ years AED	No maturity AED	Total AED
31 December 2020					
Financial assets					
FVTOCI investments - debt	17,494,686	16,214,568	23,790,034	-	57,499,288
FVTOCI investments - equity	-	-	-	15,407,141	15,407,141
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	157,311,119	-	-	-	157,311,119
Fixed deposits	143,954,010	36,526,509	652,635	-	181,133,154
Bank balances and cash	29,682,191	-	-	-	29,682,191
	348,442,006	52,741,077	24,442,669	25,407,141	451,032,893
Financial liabilities					
Insurance and other payables	85,297,216	-	-	-	85,297,216
	85,297,216	-	-	-	85,297,216

33 Financial risk (continued)

33.3 Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	5+ years AED	Total AED
31 December 2020				
Insurance contract liabilities				
Outstanding claims	47,226,013	33,614,331	654,667	81,495,011
Unallocated loss adjustment expense reserve	2,836,726	4,202	-	2,840,928
Claims incurred but not reported	30,487,308	21,700,127	422,625	52,610,060
Unexpired risk reserve	-	24,089,413	-	24,089,413
Unearned premiums	100,480,614	71,519,666	1,392,902	173,393,182
Mathematical reserve	-	14,264,479	-	14,264,479
	181,030,661	165,192,218	2,470,194	348,693,073
Reinsurance contract assets				
Outstanding claims	(33,158,360)	(24,600,248)	(652,402)	(58,411,010)
Claims incurred but not reported	(15,347,143)	(11,998,814)	(420,191)	(27,766,148)
Unexpired risk reserve	(21,049,967)	(45,287)	-	(21,095,254)
Unearned premiums	(57,287,730)	(123,250)	-	(57,410,980)
Mathematical reserve	-	(1,432,971)	-	(1,432,971)
	(126,843,200)	(38,200,570)	(1,072,593)	(166,116,363)

33 Financial risk (continued)

33.4 Operational risk

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

34 Segment information

The Company is organised into two segments: Life and Medical as one segment and Motor and General as the other segment.

These segments are the basis on which the Company reports its primary segment information to the Chief Executive Officer. Gross written premiums represent the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

The following is an analysis of the Company's statement of profit or loss classified by major segments:

	2021		
	Life and Medical AED	**Motor and General AED**	**Total AED**
Gross written premiums	329,012,009	140,136,318	469,148,327
Net insurance premium revenue earned	**221,308,471**	**53,878,125**	**275,186,596**
Net claims settled	**(139,608,042)**	**(20,933,002)**	**(160,541,044)**
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	(1,966,660)	(4,282,452)	(6,249,112)
Net claims incurred	**(141,574,702)**	**(25,215,454)**	**(166,790,156)**
Commission earned	5,230,670	13,129,932	18,360,602
Commissions paid	(59,583,242)	(16,753,303)	(76,336,545)
Net commission incurred	**(54,352,572)**	**(3,623,371)**	**(57,975,943)**
Gross underwriting income	**25,381,197**	**25,039,300**	**50,420,497**
General and administrative expenses	(30,381,892)	(24,896,072)	(55,277,964)
Allowance for impairment	(1,108,063)	(464,854)	(1,572,917)
Net underwriting loss	**(6,108,758)**	**(321,626)**	**(6,430,384)**
Income from investments	6,216,150	9,123,182	15,339,332
Other income	1,536,293	26,614	1,562,907
Profit for the year	**1,643,685**	**8,828,170**	**10,471,855**

34 Segment information (continued)

	2020		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	351,167,133	140,636,082	491,803,215
Net insurance premium revenue earned	302,917,760	58,087,128	361,004,888
Net claims settled	(223,492,303)	(20,195,450)	(243,687,753)
Net change in outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions	15,574,677	(3,109,441)	12,465,236
Net claims incurred	(207,917,626)	(23,304,891)	(231,222,517)
Commission earned	5,502,201	15,301,993	20,804,194
Commissions paid	(64,428,876)	(17,358,851)	(81,787,727)
Net commission incurred	(58,926,675)	(2,056,858)	(60,983,533)
Gross underwriting income	36,073,459	32,725,379	68,798,838
General and administrative expenses	(30,112,898)	(21,959,557)	(52,072,455)
Allowance for impairment	(10,897,709)	(5,284,056)	(16,181,765)
Net underwriting (loss) / profit	(4,937,148)	5,481,766	544,618
Income from investments	3,068,100	8,487,395	11,555,495
Other income / (expenses)	(1,339,266)	2,714,614	1,375,348
(Loss) / profit for the year	(3,208,314)	16,683,775	13,475,461

The following is an analysis of the Company's assets, liabilities and equity classified by segment:

	2021		
	Life and Medical AED	Motor and General AED	Total AED
Total assets	**327,039,005**	**469,765,049**	**796,804,054**
Total equity	**3,509,575**	**199,153,151**	**202,662,726**
Total liabilities	**323,529,430**	**270,611,898**	**594,141,328**

	2020		
	Life and Medical AED	Motor and General AED	Total AED
Total assets	288,564,858	388,339,037	676,903,895
Total equity	2,855,823	200,220,195	203,076,018
Total liabilities	285,709,035	188,118,842	473,827,877

35 Dividend and directors' remuneration

At the Annual General Meeting held on 14 April 2021, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 for the year ended 31 December 2020 and Board of Directors' remuneration of AED 1,347,546. The Board of Directors proposed a cash dividend of AED 8 fils per share amounting to AED 9,702,000 for the year ended 31 December 2021. Further, the Board of Directors propose Board of Directors remuneration of AED 0.81 million for 2021 (AED 1.35 million for 2020). The proposed dividends and Board of Directors remuneration above are subject to the approval of the Shareholders at the Annual General Meeting. The proposed dividends have not been included as a liability in the financial statements.

36 Covid-19 and the current economic situation

The spread of coronavirus (COVID-19) since early 2020 has resulted in macro-economic uncertainty across all sectors of the economy due to the price and demand for oil, reduced economic activity, disruption to global supply chains and the potential postponement of large scale events. Despite the lockdowns being lifted and activities resuming to the "new normal" in the United Arab Emirates during the second half of 2020, the full impact of COVID-19 on the economy cannot be reliably measured. Consistent with the market sentiment, management expects that the uncertain future macro-economic environment could impact the earnings, cash flows and financial condition of the Company as well as those of our counter parties. The Company is monitoring these metrics on a regular basis and will respond to any threats identified.

During the year ended 31 December 2021, the Company had 95 (2020:1,005) reported medical claims and 117 (2020: 31) reported credit life claims in relation to COVID-19. The net exposure during the year ended 31 December 2021 of the medical and credit life COVID-19 claims amounted to AED 1,209,452 (2020: AED 6.93 million) and AED 1,116,271 (2020: AED 56,930) respectively. As at the date of the statement of financial position, the Company has one business interruption claim, which is immaterial to the financial statements for the year ended 31 December 2021. The Company is closely monitoring its loss experience and adjusting the technical reserves where appropriate.

Management has increased its focus on managing its cash flows and collections on outstanding receivables. This is reflected in the improved ageing of receivables as at 31 December 2021 as compared to 31 December 2020. The Company is continuing with its business continuity and remote working plans and continues to provide services to its customers within the agreed service level agreements. Further, the Company continues to monitor its liquidity position on a regular basis. This liquidity position along with other parameters are shared with the regulators on a regular basis as part of the Company's reporting obligations.

37 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.

38 Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 10 February 2022. The Board of Directors have the power to amend and reissue the financial statements.