Al Dhafra Insurance Company P.S.C.

BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2021

Al Dhafra Insurance Company P.S.C.
Audited Financial Statements

For the year ended 31 December 2021

Composition of Board of Directors

Chairman:	H.E Sheikh Mohamed Bin Sultan Bin Soroor Al Dhahiry
Deputy Chairman:	H.E. Yousef Bin Mohamad Ali Nasser Al Nowais
Directors:	H.E. Sh. Ahmed Moh'd Sultan Suroor Al Dhahiri
	Mr. Rashid Saeed Ahmad Saeed Ghobash
	H.E Sh. Sultan Saeed Sultan Surour Al Dhahiri
	H.E. Saif Mubarak Saif Al Riyami
	H.E. Saif Saeed Ahmed Saeed Ghobash
	Mr. Mohamed Saeed Ahmed Omran Al Mazrouei
	Mr. Mohamed Hussain Jasim Naser Al Nowais
General Manager	Mr. Kamal Sartawi
Address:	P.O. Box 319 Abu Dhabi United Arab Emirates
External auditors:	Grant Thornton - UAE

Al Dhafra Insurance Company P.S.C.
Audited Financial Statements

For the year ended 31 December 2021

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THE BOARD OF DIRECTORS' 42nd ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER 2021

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of Al Dhafra Insurance Company P.S.C. (the "Company") and present to you the 42nd Annual Report regarding the business activities of the Company during 2021 as well as the financial statements for the year ended 31st December 2021 along with Auditor's Report.

At the outset, the Board of Directors would like to express their appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates and His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their continuous limitless support and patronage for National institutions and Companies. All credits for the progress and stability achieved by the Country go to our wise leadership.

Although economies have adopted to move along with the pandemic restrictions, the effect of pandemic continued to impact the economic activity globally during the year under report. The impact felt in 2020 still influenced activity during 2021 and along with unhealthy competition in the local market the insurance premium has been pushed down to one of the lowest levels in recent times.

With all the above constraints, company continues to maintain stable position in the market in terms of technical results, net profit, EPS which is the result of long-term business model and prudent investment strategy adopted by the Company.

We give here below summary of various aspects of the balance sheet

Gross and Net premium

The gross premium written for the year ended 31 December 2021 amounted to AED 314,513,507 (2020: AED 289,773,699), depicting an increase of 8.54 %.

The net retained premium for the year ended 31 December 2021 amounted to AED 85,752,490 (2020: AED 73,424,255), depicting an increase of 16.79 %.

Gross and Net claims

The gross claims paid by the Company during the year amounted to AED 130,479,069 (2020: AED 140,990,838), depicting a decrease of (7.46 %).

Net claims paid during the year amounted to AED 33,586,590 (2020: AED 28,071,930), depicting an increase of 19.64 %.

Technical Provisions

The net technical provisions (excluding deferred acquisition costs and unearned commission income) at 31 December 2021 amounted to AED 101,363,205 (2020: AED 93,767,927).

The net technical provision for the current year is hence 118 % of the retained premium.

Figures relating to Different classes of Insurance

Gross written Premiums	2021 (AED)	2020 (AED)
Marine	62,325,945	58,796,863
Other classes of business	252,187,562	230,976,836
Total	314,513,507	289,773,699

Gross Paid Claims	2021 (AED)	2020 (AED)
Marine	4,511,780	22,017,311
Other classes of business	125,967,289	118,973,527
Total	130,479,069	140,990,838

Net Technical Provisions	2021 (AED)	2020 (AED)
Marine	4,552,057	3,780,348
Other classes of business	96,811,148	89,987,579
Total	101,363,205	93,767,927

Investments:

The total investments including investment properties of the Company stand at AED 414,848,312 as at 31 December 2021 (2020: AED 276,505,223), showing an increase of 50.03 %. Increase is attributable to the fluctuation in market value and investing in new funds.

It is worth mentioning that most of the investments of company are within the U.A.E. All available cash are deposited in the banks within the U.A.E.

General, administrative and other operating expenses:

The general, administrative and other expenses for the year amounted to AED 42,821,600 (2020: AED 41,917,957).

Profits for the year

The profit of the Company from insurance and investment activities for the year under review is AED 38,638,957 (2020: AED 54,795,358).

The Company's branches and offices

The Company has branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Bida Zayed, Baniyas, Musaffah, and in the Traffic Department of Abu Dhabi in addition to branches in Dubai and Sharjah.

Distribution of profit

The net profit for the year of AED 38,638,957 achieved by the Company with the retained profit from the previous years amounted to a distributable income of AED 115,898,149. We recommend appropriation of the above profit as follows:

Details of Appropriation	AED
- To be distributed as cash dividend	35,000,000
- Board of Directors Remuneration	4,500,000
- To be carried forwarded to the subsequent year	76,398,149

Plan for the year 2022

Company will continue its efforts to maintain its performance irrespective of the ongoing pandemic induced economic scenario.

Recommendations of Board of Directors to Shareholders:

The Board of Directors is pleased to present the following recommendations to the Ordinary General Assembly of the Shareholders of the Company for their approval.

1. Listen to and approve the Board of Director's Report on the Company's activity and its financial position for the fiscal year ended 31/12/2021.
2. Listen to and approve the Auditor's Report for the fiscal year ended on 31/12/2021.
3. Discuss and approve the Company's balance sheet and profit and loss account for the fiscal year ended on 31/12/2021.
4. Consider the Board of Director's proposals concerning the distribution of profits by 35% of the nominal value of the share as a cash dividend of AED 35 million at 35 fils per share.
5. Approve a proposal concerning the remuneration of the members of the Board of Director's.
6. Discharge the members of the Board of Directors for the fiscal year ended on 31/12/2021, or remove them and file a liability action against them, as the case may be.
7. Discharge the auditors for the fiscal year ended 31/12/2021, or remove them and file a liability action against them, as the case may be.
8. Appoint the auditors for the year 2022 and determine their fees.
9. To elect the Board of Directors for the next three years.
10. To pass a special resolution to amend the company's Article of Association to comply with the requirement of Federal Law No. (32) of 2021 and Authority's Board to Directors Resolution No. (3/R.M) of 2020.

Conclusion:

The Board of Directors would like to praise Company's clients, reinsurance companies and brokers for their strong support and confidence in the Company and also the persistent efforts of the management and staff of the Company who did their best to serve the Company.

On behalf of the Board of Directors

Chairman

AL DHAFRA INSURANCE CO. P.S.C. ABU DHABI

Grant Thornton UAE - Abu Dhabi

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al Dhafra Insurance Company P.S.C. (the "Company"), which comprise the statement of financial position as at 31 December 2021 and the statement of profit and loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2021. 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.

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premiums reserve, outstanding claims reserve, incurred but not reported claims reserve and unallocated loss adjustment expenses reserve as disclosed in Note 11 to the financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and persistency (including consideration of policyholder behavior).

Key Audit Matters (continued)

i) Valuation of technical provisions (continued)

Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

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

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

ii) Revenue recognition

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

We assessed management's calculation of gross premiums amounting to AED 314,513,507 and net unearned premium reserve amounting to AED 44,163,746 (note 11) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premium on policies are accounted for on the date of inception of policies, by testing a sample of revenue items to policy contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premium reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated the unearned premium reserve based on the earning period of policy contracts existing as of 31 December 2021.
- We tested written policies on a sample basis where revenue was recorded close to year-end and subsequent to year-end and evaluated whether these were recorded in the appropriate accounting period

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

Report on the Audit of the Financial Statements (continued)

Other Information

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

In connection with our audit of the 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015, as amended, and UAE Federal Law No. 6 of 2007, 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 ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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Independent Auditor's Report

To the Shareholders of Al Dhafra Insurance Company P.S.C.

Report on the Audit the Financial Statements (continued)

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law 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 Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Law No. 2 of 2015, as amended, we report that:

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

Report on Other Legal and Regulatory Requirements (continued)

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and 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 Board of Directors' Report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) as disclosed in notes 8 and 9 to the financial statements, the Company has purchased and sold shares during the year ended 31 December 2021;

vi) note 13 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organization of the Insurance Operations and 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.

Grant Thornton

GRANT THORNTON
Farouk Mohamed
Registration No: 86
Abu Dhabi, United Arab Emirates
Date: 22 February 2022

جرانت ثورنتون للمحاسبة والمراجعة المحدودة
P.O Box: 41255
Abu Dhabi - U.A.E.
GRANT THORNTON
Audit And Accounting Limited

Statement of financial position
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
ASSETS			
Property and equipment	3	**1,270,692**	1,534,096
Intangible assets	4	**3,287,444**	3,817,779
Right-of-use-assets	5	**4,305,866**	5,312,243
Investment properties	6	**65,812,225**	65,812,225
Statutory deposits	7	**9,980,000**	9,980,000
Investments carried at fair value through other comprehensive income	8	**245,695,433**	170,556,736
Investments carried at fair value through profit and loss	9	**103,340,654**	40,136,262
Insurance balances receivable	10	**99,869,670**	106,329,866
Deferred acquisitions costs		**23,221,362**	16,432,759
Reinsurer's share of unearned premium reserve	11	**89,822,167**	85,530,265
Reinsurer's share of outstanding claims reserves	11	**181,060,392**	134,554,763
Reinsurer's share of claims incurred but not reported reserve	11	**70,375,343**	44,274,346
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	11	**-**	-
Prepayments and other receivables	10	**6,861,229**	7,800,394
Deposits	12	**165,330,125**	183,208,101
Cash and cash equivalents	12	**49,090,158**	98,881,191
TOTAL ASSETS		**1,119,322,760**	974,161,026
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**100,000,000**	100,000,000
Legal reserve	15	**50,000,000**	50,000,000
General reserve	15	**145,000,000**	145,000,000
Investment revaluation reserve	15	**54,442,073**	(20,696,624)
Reinsurance reserve	15	**2,260,256**	1,101,777
Retained earnings		**111,398,149**	113,917,671
TOTAL EQUITY		**463,100,478**	389,322,824
LIABILITIES			
Provision for employees' end of service benefits	16	**8,456,579**	8,341,652
Lease liabilities	5	**4,015,012**	4,872,807
Insurance payables	17	**156,978,257**	168,494,390
Other payables	17	**22,279,429**	23,154,394
Unearned commission income		**21,871,898**	21,847,658
Technical provisions			
Unearned premium reserve	11	**133,985,913**	122,189,223
Outstanding claims reserve	11	**208,070,108**	161,604,927
Claims incurred but not reported reserve	11	**89,971,813**	68,798,559
Unallocated loss adjustment expense reserve	11	**5,556,468**	4,488,031
Unexpired risk reserve (premium deficiency reserve)	11	**5,036,805**	1,046,561
TOTAL LIABILITIES		**656,222,282**	584,838,202
TOTAL EQUITY AND LIABILITIES		**1,119,322,760**	974,161,026

These financial statements were approved by the Board of Directors on 17 February 2022 and signed on their behalf by:

AL DHAFRA INSURANCE CO. P.S.C. ABU DHABI

Assistant General Manager Finance | General Manager | Board member

The accompanying notes from 1 to 42 form an integral part of these financial statements.

Statement of profit or loss
For the year ended 31 December 2021

	Notes	2021 AED	2020 AED
Gross premiums written	20	**314,513,507**	289,773,699
Reinsurance premium ceded	20	**(228,761,017)**	(216,349,444)
Net premium	20	**85,752,490**	73,424,255
Net change in unearned premium		**(7,504,787)**	3,232,971
Net premium earned		**78,247,703**	76,657,226
Commission earned		**54,975,676**	56,613,948
Commission incurred		**(44,962,768)**	(34,674,362)
Gross underwriting income		**88,260,611**	98,596,812
Gross claims paid	21	**(130,479,069)**	(140,990,838)
Reinsurance share of claims paid	21	**96,892,479**	112,918,908
Net claims paid	21	**(33,586,590)**	(28,071,930)
Change in outstanding claims reserve		**(46,465,182)**	379,339
Change in reinsurer's share of outstanding claims reserve		**46,505,629**	3,905,884
Change in claims incurred but not reported reserve, net		**4,927,743**	(791,080)
Change in unexpired risk reserve, net		**(3,990,244)**	1,026,740
Change in unallocated loss adjustment expense reserve		**(1,068,437)**	(224,523)
Net claims incurred		**(33,677,081)**	(23,775,570)
Underwriting income		**54,583,530**	74,821,242
Other income relating to underwriting		**2,355,120**	5,102,387
General and administrative expenses relating to underwriting	23	**(3,207,005)**	(2,453,810)
Net underwriting income		**53,731,645**	77,469,819
Income from investments	22	**22,457,922**	14,853,466
Income from investment properties (rental income), net	6	**2,060,485**	1,923,157
Other income, net		**3,500**	13,063
		78,253,552	94,259,505
General and administrative expenses	23	**(39,420,128)**	(39,202,529)
Finance cost		**(194,467)**	(261,618)
PROFIT FOR THE YEAR	18	**38,638,957**	54,795,358
Basic and diluted earnings per share	19	**0.39**	0.55

The accompanying notes from 1 to 32 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2021

	Note	**2021** **AED**	2020 AED
Profit for the year		**38,638,957**	54,795,358
Other comprehensive income/ (loss)			
Items that will not be subsequently reclassified to profit or loss:			
Gain on sale of investments carried at fair value through other comprehensive income		**-**	209,120
Change in fair value relating to investments carried at fair value through other comprehensive income	8	**75,138,697**	(17,154,800)
Other comprehensive income / (loss) for the year		**75,138,697**	(16,945,680)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**113,777,654**	37,849,678

The accompanying notes from 1 to 32 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2021

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Reinsurance reserve AED	Retained earnings AED	Total equity AED
Balance as at 1 January 2020	100,000,000	50,000,000	145,000,000	(5,276,307)	-	101,749,453	391,473,146
Net profit for the year	-	-	-	-	-	54,795,358	54,795,358
Other comprehensive loss for the year	-	-	-	(16,945,680)	-	-	(16,945,680)
Total comprehensive income for the year	-	-	-	(16,945,680)	-	54,795,358	37,849,678
Dividends declared and paid (note 14)					-	(40,000,000)	(40,000,000)
Transfer to reinsurance reserve					1,101,777	(1,101,777)	-
Transfer of cumulative unrealized loss to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	1,525,363	-	(1,525,363)	-
Balance as at 31 December 2020	100,000,000	50,000,000	145,000,000	(20,696,624)	1,101,777	113,917,671	389,322,824
Balance as at 1 January 2021	100,000,000	50,000,000	145,000,000	(20,696,624)	1,101,777	113,917,671	389,322,824
Net profit for the year	-	-	-	-	-	38,638,957	38,638,957
Other comprehensive income for the year	-	-	-	75,138,697	-	-	75,138,697
Total comprehensive income for the year	-	-	-	75,138,697	-	38,638,957	113,777,654
Dividends declared and paid (note 14)-	-	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to reinsurance reserve	-	-	-	-	1,158,479	(1,158,479)	-
Transfer of cumulative unrealized loss to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	-	-		-
Balance as at 31 December 2021	**100,000,000**	**50,000,000**	**145,000,000**	**54,442,073**	**2,260,256**	**111,398,149**	**463,100,478**

The accompanying notes from 1 to 32 form an integral part of these financial statements.

Statement of cashflows
For the year ended 31 December 2021

	Notes	31 December 2021 AED	31 December 2020 AED
OPERATING ACTIVITIES			
Profit for the year		38,638,957	54,795,358
Adjustments for:			
Unearned premium and unexpired risk reserve, net		11,495,031	(4,259,711)
Change in outstanding claims and claims incurred but not reported reserves		68,706,873	7,518,950
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		(72,606,626)	(10,788,570)
Reversal of expected credit loss on insurance receivable	10	(211,083)	(82,419)
Change in fair value of investments carried at fair value through profit or loss	9, 22	(7,708,323)	2,149,122
Gain on disposal of investments carried at fair value through profit or loss	22	433,080	(137,625)
Provision for employees' end of service benefits	16	535,310	538,825
Depreciation of property and equipment and right-of-use asset	23	1,938,533	1,806,268
Amortisation of intangible assets	4, 23	848,920	766,671
Finance cost		194,467	261,618
Gain on termination of lease contract		(186,988)	(107,710)
Gain on disposal of property and equipment		(3,500)	(12,490)
Dividend income	22	(8,843,742)	(9,563,163)
Interest income	22	(6,408,518)	(7,303,512)
		26,822,391	35,581,612
Working capital changes:			
Insurance receivable, other receivables and prepayments		5,838,995	9,954,750
Insurance and other payables		(12,391,097)	(32,203,941)
Deferred acquisition costs		(6,788,603)	(922,517)
Unearned commission income		24,239	(2,892,336)
Cash generated from operations		13,505,924	9,517,568
Employees' end of service benefits paid	16	(420,383)	(112,998)
Net cash generated from operating activities		13,085,541	9,404,570
INVESTING ACTIVITIES			
Purchase of property and equipment	3	(527,650)	(331,522)
Proceeds from disposal of property and equipment		3,500	13,063
Purchase of intangible assets	4	(318,585)	(3,330,835)
Purchase of investments carried at fair value through profit or loss		(99,192,681)	-
Proceeds from disposal of investment carried at fair value through profit and loss		43,263,533	1,679,240
Purchase of investments carried at fair value through other comprehensive income		(177,999)	-
Proceeds from disposal of investment carried at fair value through other comprehensive income		177,999	2,551,580
Additional placement in term deposits		17,877,976	(78,840,547)
Interest received		8,179,968	6,286,994
Dividends received		8,843,742	9,563,163
Net cash used in from investing activities		(21,870,197)	(62,408,864)
FINANCING ACTIVITIES			
Dividends paid	14	(40,000,000)	(40,000,000)
Lease liability instalment paid		(1,006,377)	(1,185,962)
Net cash used in financing activities		(41,006,377)	(41,185,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(49,791,033)	(94,190,256)
Cash and cash equivalents at the beginning of the year		98,881,191	193,071,447
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	49,090,158	98,881,191

The accompanying notes from 1 to 32 form an integral part of these financial statements.

1 Legal status and principal activities

Al Dhafra Insurance Company P.S.C. (the "Company"), is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 (as amended) on Commercial Companies was issued on 27 September 2020 and shall take effect starting from 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The 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 Central Bank of the United Arab Emirates and Organisation 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 CBUAE.

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

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

2 General information

2.1 Basis of preparation

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

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (2) of 2015, as amended, Concerning the Commercial Companies which has come into effect from 1 July 2015 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional and presentational currency of the Company.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 25.

2 General information (continued)

2.2 Standards, interpretations and amendments to existing standards

Standards, interpretations and amendments to existing standards that are effective in 2021

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

Standard number	Title	Effective date
IFRS 16	COVID-19-related rent concessions beyond 30 June 2021 (Amendments to IFRS 16)	1 April 2021
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)"	1 January 2021

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

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company

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

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

IFRS 17 Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognize all insurance finance income or expenses in profit or loss or to recognize some of that income or expenses in other comprehensive income.

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;

2 General information (continued)

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

Standards and interpretations in issue but not yet effective and has not been adopted early by the Company (continued)

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

- recognizes and measures groups of insurance contracts at:
    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)

    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts. Company is currently evaluating the expected impact.

2.3 Significant accounting policies

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and insurance balances receivable)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

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

Financial assets at amortised cost
The Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss (continued)
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of income when the right of payment has been established.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, insurance receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For insurance receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 240 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Receivables and payables related to insurance contracts

Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration receivable/payable. Subsequent to initial recognition, insurance receivables and payables are measured at amortised cost, using the Effective Interest Rate ("EIR") method. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

a) There is a currently enforceable legal right to offset the recognised amounts; and
b) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement

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

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

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

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

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

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

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

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

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

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

2.3 Significant accounting policies (continued)

Financial assets (continued)

Fair value measurement (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

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

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

2.3 Significant accounting policies (continued)

Financial assets (continued)

Impairment of non-financial assets (continued)

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Insurance contracts

Classification

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

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to occurrence of the insured event as compared to the non - occurrence. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Premiums

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium reserve

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premium reserve is calculated as follows

- For marine cargo line of business, the total unearned premium reserve is provided as a minimum of 25% of the total premium written during the year (individual shipment only).
- For engineering line of business, it is assumed that the pattern of risk is non-uniform, and accordingly, premiums are allocated and earned on a daily increasing basis over the term of policy period. The unearned premium reserve is calculated as the sum of earned premiums across all months after the valuation date; and
- For the remaining lines of businesses, the premiums are assumed to be earned evenly over time and the unearned premium reserve is calculated on a daily pro rata basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

2.3 Significant accounting policies (continued)

Insurance contracts continued

Unexpired risk reserve
Unexpired risk reserve represent the portion of the premium subsequent to the reporting date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

Provision for premium deficiency / liability adequacy test
Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions. This reserve is recorded under the heading of unearned premium reserve in the financial statements.

Claims
Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly.

Reinsurance
The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of income in the period in which they are incurred.

2.3 Significant accounting policies (continued)

Insurance contracts (continued)

Deferred acquisition cost and Unearned commission income
At the end of each reporting period, portion of commission income and portion of commission expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

Insurance contract liabilities
Insurance contract liabilities include claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for unallocated loss adjustment expenses (ULAE).

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

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

The liability relating to IBNR, IBNER, ULAE and PDR reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

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

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.3 Significant accounting policies (continued)

Leases (continued)

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

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

Finance cost
Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	4 years
Motor vehicles	3 years
Computer equipment and accessories	5 years
Building	25 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

2.3 Significant accounting policies (continued)

Property and equipment (continued)

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Intangible assets

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

Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Company holds investment properties which are disclosed in note 6.

Revenue - non insurance

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

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease and is stated net of related expenses.

Interest income

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

Dividend income

Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income

Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realised and unrealised gain

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

2.3 Significant accounting policies (continued)

Foreign currency

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

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Staff end of service benefits

Defined benefit plan

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

Defined contribution plan

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

Dividend

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

2.4 Significant accounting judgements and estimates

Judgements

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

Classification of investments

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

2.4 Significant accounting judgements and estimates (continued)

Judgements (continued)

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

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

Determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

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

Leases - estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

2.4 Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

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

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

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

At the reporting date, gross insurance receivables were AED 123,502,168 (2020: AED 130,173,447) and the provision for expected credit losses was AED 23,632,498 (2020: AED 23,843,581). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the statement of income.

Provision for unearned premium reserve and unexpired risk reserve
Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 49,200,551 (2020: AED 37,705,519).

Provision for incurred but not reported claims (IBNR)
Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of IBNR reserve (net of related reinsurance asset) is AED 19,596,470 (2020: AED 24,524,213).

Provision for outstanding claims
Provision for outstanding claims include provision for ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims. ULAE reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation The carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ULAE reserves) is AED 32,566,184 (2020: AED 31,538,195).

2.4 Significant accounting judgements and estimates (continued)

Judgments (continued)

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

Estimation of fair value of investment properties
The fair value of investment properties is determined by independent real estate valuation consultants based on Discounted Cash Flow (DCF) and Investment Method of Valuation. The Investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at fair value.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. There was no change in fair value recognised in the statement of income for the year (2020: NIL).

3 Property and equipment

	Furniture and fittings	Motor vehicles	Computer equipment and accessories	Total
	AED	AED	AED	AED
Cost				
At 1 January 2020	2,995,865	1,401,433	2,918,389	7,315,687
Additions during the year	84,871	-	246,651	331,522
Disposals during the year	(103,228)	-	(115,106)	(218,334)
At 31 December 2020	2,977,508	1,401,433	3,049,934	7,428,875
Additions during the year	95,141	-	432,509	527,650
Disposals during the year	(221,880)	-	(37,555)	(259,435)
At 31 December 2021	**2,850,769**	**1,401,433**	**3,444,888**	**7,697,090**
Accumulated depreciation				
At 1 January 2020	2,761,350	767,089	1,802,004	5,330,443
Charge for the year	164,686	240,955	376,456	782,097
Disposals during the year	(102,655)	-	(115,106)	(217,761)
At 31 December 2020	2,823,381	1,008,044	2,063,354	5,894,779
Charge for the year	161,681	224,620	404,753	791,054
Disposals during the year	(221,880)	-	(37,555)	(259,435)
At 31 December 2021	**2,763,182**	**1,232,664**	**2,430,552**	**6,426,398**
Carrying amount				
As at 31 December 2021	**87,587**	**168,769**	**1,014,336**	**1,270,692**
As at 31 December 2020	154,127	393,389	986,580	1,534,096

4 Intangible assets

	Computer software AED	Capital work in progress AED	Total AED
Cost			
Balance at 1 January 2021	**7,889,187**	**1,946,160**	**9,835,347**
Additions and transfer	**2,264,745**	**(1,946,160)**	**318,585**
Disposal	**-**	**-**	**-**
Balance at 31 December 2021	**10,153,932**	**-**	**10,153,932**
Accumulated amortization			
Balance at 1 January 2021	**6,017,568**	**-**	**6,017,568**
Amortization for the year	**848,920**	**-**	**848,920**
Disposal	**-**	**-**	**-**
Balance at 31 December 2021	**6,866,488**	**-**	**6,866,488**
Carrying amount	**3,287,444**	**-**	**3,287,444**

	Computer software AED	Capital work in progress AED	Total AED
Cost			
Balance at 1 January 2020	6,550,357	-	6,550,357
Additions	1,384,675	1,946,160	3,330,835
Disposal	(45,845)	-	(45,845)
Balance at 31 December 2020	7,889,187	1,946,160	9,835,347
Accumulated amortization			
Balance at 1 January 2020	5,296,742	-	5,296,742
Amortization for the year	766,671	-	766,671
Disposal	(45,845)	-	(45,845)
Balance at 31 December 2020	6,017,568	-	6,017,568
Carrying amount	1,871,619	1,946,160	3,817,779

5 Leases

The carrying amounts of the Company's right-of-use assets is as follows:

	2021 AED	2020 AED
Cost		
Balance at 1 January	**7,363,753**	9,471,708
Additions	**141,102**	398,250
Termination	**-**	(2,506,205)
Balance at 31 December	**7,504,855**	7,363,753
Accumulated depreciation		
Balance at 1 January	**2,051,510**	1,370,585
Depreciation for the year	**1,147,479**	1,024,171
Termination	**-**	(343,246)
Balance at 31 December	**3,198,989**	2,051,510
Carrying amount	**4,305,866**	5,312,243

5 LEASES (continued)

Lease liabilities are as follows:

	2021 AED	2020 AED
Within one year	**1,195,243**	1,203,375
One to ten years	**2,819,769**	3,669,432
	4,015,012	4,872,807

6 INVESTMENT PROPERTIES

	Abu Dhabi land and building AED	Al Ain land and building AED	Total AED
Balance at 1 January 2020	55,089,680	10,722,545	65,812,225
Change in fair value	-	-	-
At 31 December 2020	55,089,680	10,722,545	65,812,225
Balance at 1 January 2021	**55,089,680**	**10,722,545**	**65,812,225**
Change in fair value	**-**	**-**	**-**
At 31 December 2021	**55,089,680**	**10,722,545**	**65,812,225**

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively.

The fair value of the Company's investment properties as at 31 December 2021 and 2020 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Company. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of investment properties is determined using market-based approach and discounted cash flow (DCF) model.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms. factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

6 Investment properties (continued)

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2021				
Investment properties	-	**38,000,000**	**27,812,225**	**65,812,225**
31 December 2020				
Investment properties	-	38,000,000	27,812,225	65,812,225

There were no transfers between Level 1, Level 2 and Level 3 during current and previous year.

Following is the summary of valuation techniques and inputs used in the valuation of investment properties:

Property	**Valuation technique**	**Significant unobservable inputs**
Abu Dhabi and Al Ain buildings	Discounted cash flow (DCF)	Estimated rental value per annum, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, as follows: • Abu Dhabi property AED 4,815,000; and • Al Ain property AED 1,014,000. Discount rate, taking into consideration the risk premium between prime and sub-prime properties and the capacity to earn rentals, range from 7%.

The Company earns rental income from its investment properties. The rental income and direct operating expenses arising on the investment properties are as follows:

	2021 AED	2020 AED
Rental income	**2,745,958**	2,848,885
Direct operating expenses	**(685,473)**	(925,728)
	2,060,485	1,923,157

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

7 Statutory deposits

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

	2021 AED	2020 AED
Statutory deposit	**10,000,000**	10,000,000
Expected credit losses	**(20,000)**	(20,000)
	9,980,000	9,980,000

8 Investments carried at fair value through other comprehensive income

	2021 AED	2020 AED
Quoted UAE equity securities	**245,695,433**	170,556,736

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

	2021 AED	2020 AED
Fair value at beginning of the year	**170,556,736**	190,053,996
Additions	**177,999**	-
Disposals	**(177,999)**	(2,342,460)
Change in fair value	**75,138,697**	(17,154,800)
Fair value at end of the year	**245,695,433**	170,556,736

9 Investments carried at fair value through profit or loss

	2021 AED	2020 AED
Managed funds (i)	**51,133,441**	-
Quoted UAE equity securities	**36,048,600**	16,723,343
Quoted debt securities (ii)	**10,476,326**	16,584,183
Unquoted equity security	**5,682,287**	6,828,736
	103,340,654	40,136,262

(i) It represents investment in equity and credit funds

(ii) Quoted debts securities carry interest at a rate ranging from 4.23% to 7.00% (2020: from 4.23% to 7.00%)

9 Investments carried at fair value through profit or loss (continued)

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

	2021 AED	2020 AED
Fair value at beginning of the year	**40,136,263**	43,826,999
Additions	**99,192,681**	-
Disposals	**(43,696,613)**	(1,541,615)
Change in fair value (note 22)	**7,708,323**	(2,149,122)
Fair value at end of the year	**103,340,654**	40,136,262

10 Insurance balances receivables, prepayments and other receivables

	2021 AED	2020 AED
Due from policy holders	**85,545,554**	92,409,118
Due from policy holders – related parties (note 13)	**170,363**	641,565
Due from reinsurance companies	**4,755,730**	5,324,394
Due from insurance companies, broker and agents	**33,030,521**	31,798,370
	123,502,168	130,173,447
Less: allowance for impairment	**(23,632,498)**	(23,843,581)
Insurance balances receivable	**99,869,670**	106,329,866
Prepayments	**3,063,138**	1,271,331
Interest receivables	**1,604,536**	3,375,986
Other receivables	**2,193,555**	3,153,077
Prepayments and other receivables	**6,861,229**	7,800,394
	106,730,899	114,130,260

Receivables at nominal value of AED 23,632,498 (2020: AED 23,843,581) were impaired.

10 Insurance balances receivables, prepayment and other receivables (continued)

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

	2021 AED	2020 AED
At 1 January	**23,843,581**	23,926,000
Charge for the year	**-**	-
Amount written off	**(211,083)**	(82,319)
At 31 December	**23,632,498**	23,843,581

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

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

	Total AED	0-180 days AED	180-240 days AED	>240 days AED
31 December 2021				
Expected credit loss rate		**8.22%**	**3.45%**	**25.67%**
Estimated total gross carrying amount at default	**123,502,168**	**36,915,900**	**18,974,792**	**67,611,476**
Expected credit loss	**23,632,498**	**3,034,631**	**654,894**	**17,353,236**
31 December 2020				
Expected credit loss rate		8.35%	1.62%	27.35%
Estimated total gross carrying amount at default	130,173,447	39,304,182	16,668,396	74,200,869
Expected credit loss	23,843,581	3,282,075	270,111	20,291,395

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

	31 December 2021			31 December 2020		
	Inside UAE AED	**Outside UAE AED**	**Total AED**	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	**84,291,723**	**1,253,831**	**85,545,554**	91,810,792	598,326	92,409,118
Due from policy holders - related parties	**170,363**	**-**	**170,363**	641,565	-	641,565
Due from reinsurance companies	**1,734,443**	**3,021,286**	**4,755,729**	2,185,459	3,138,935	5,324,394
Due from insurance companies, broker and agents	**31,195,254**	**1,835,268**	**33,030,522**	30,253,338	1,545,032	31,798,370
	117,391,783	**6,110,385**	**123,502,168**	124,891,154	5,282,293	130,173,447
Less: allowance for impairment	**(23,632,498)**	**-**	**(23,632,498)**	(23,843,581)	-	(23,843,581)
Net insurance balances receivable	**93,759,285**	**6,110,385**	**99,869,670**	101,047,573	5,282,293	106,329,866

10 Insurance balances receivables, prepayment and other receivables (continued)

	31 December 2021			31 December 2020		
	Inside UAE AED	Outside UAE AED	Total AED	Inside UAE AED	Outside UAE AED	Total AED
0 to 180 days	34,544,374	2,371,526	36,915,900	36,312,481	2,991,700	39,304,181
181 to 365 days	32,657,788	1,170,337	33,828,125	31,022,085	60,273	32,082,358
More than 365 days	49,430,384	3,327,759	52,758,143	56,556,587	2,230,321	58,786,908
	116,632,546	6,869,622	123,502,168	124,891,153	5,282,294	130,173,447
Less: allowance for impairment	(23,632,498)	-	(23,632,498)	(23,843,581)	-	(23,843,581)
Net insurance balances receivable	93,000,048	6,869,622	99,869,670	101,047,572	5,282,294	106,329,866

11 Insurance contract liabilities and reinsurance contract assets

	2021 AED	2020 AED
Insurance contract liabilities		
Outstanding claims reserve	208,070,108	161,604,927
Claims incurred but not reported reserve	89,971,813	68,798,559
Unearned premiums reserve	133,985,913	122,189,223
Unallocated loss adjustment expense reserve	5,556,468	4,488,031
Unexpired risk reserve (premium deficiency reserve)	5,036,805	1,046,561
	442,621,107	358,127,301
Reinsurance contract assets		
Outstanding claims reserve	181,060,392	134,554,763
Claims incurred but not reported reserve	70,375,343	44,274,346
Unearned premiums reserve	89,822,167	85,530,265
Unexpired risk reserve (premium deficiency reserve)	-	-
	341,257,902	264,359,374
Insurance liabilities – net		
Outstanding claims reserve	27,009,716	27,050,164
Claims incurred but not reported reserve	19,596,470	24,524,213
Unearned premiums reserve	44,163,746	36,658,958
Unallocated loss adjustment expense reserve	5,556,468	4,488,031
Unexpired risk reserve (premium deficiency reserve)	5,036,805	1,046,561
	101,363,205	93,767,927

11 Insurance contract liabilities and reinsurance contract assets (continued)

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

	Outstanding claims reserve AED	Claims incurred but not reported reserve AED	Unearned premiums reserve AED	Unallocated loss adjustment reserve AED	Unexpired risk reserve AED	Total AED
31 December 2021 (gross)						
Motor	**49,598,645**	**36,125,996**	**60,754,712**	**1,827,759**	**4,122,244**	**152,429,356**
Fire	**79,776,103**	**22,473,916**	**16,081,613**	**1,607,121**	**-**	**119,938,753**
Medical	**10,378,918**	**6,657,025**	**21,640,361**	**355,395**	**914,561**	**39,946,260**
Engineering	**21,544,372**	**5,562,316**	**12,374,100**	**490,035**	**-**	**39,970,823**
Marine	**43,179,508**	**16,297,937**	**20,078,692**	**1,136,631**	**-**	**80,692,768**
Workman compensation and third-party liability	**2,450,281**	**1,692,548**	**2,717,251**	**87,531**	**-**	**6,947,611**
Other lines of business	**1,142,281**	**1,162,075**	**339,184**	**51,996**	**-**	**2,695,536**
	208,070,108	**89,971,813**	**133,985,913**	**5,556,468**	**5,036,805**	**442,621,107**
31 December 2020 (gross)						
Motor	46,126,608	31,760,570	52,359,977	1,644,717	-	131,891,872
Fire	61,832,865	11,790,479	17,269,432	1,281,207	-	92,173,983
Medical	8,229,941	5,525,067	19,717,720	289,201	996,732	34,758,661
Engineering	18,968,912	4,028,934	12,500,620	405,402	-	35,903,868
Marine	20,343,243	11,630,003	16,844,087	654,049	-	49,471,382
Workman compensation and third-party liability	3,110,777	2,791,091	3,054,962	130,394	-	9,087,224
Other lines of business	2,992,581	1,272,415	442,425	83,061	49,829	4,840,311
	161,604,927	68,798,559	122,189,223	4,488,031	1,046,561	358,127,301

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

	31 December 2021			31 December 2020		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims:						
Outstanding claims (including ULAE)	**166,092,958**	**134,554,763**	**31,538,195**	166,247,774	130,648,879	35,598,895
Incurred but not reported	**68,798,559**	**44,274,346**	**24,524,213**	61,124,793	37,391,660	23,733,133
Total at 1 January	**234,891,517**	**178,829,109**	**56,062,408**	227,372,567	168,040,539	59,332,028
Claims settled	**(130,479,069)**	**(96,892,479)**	**(33,586,590)**	(140,990,838)	(112,918,908)	(28,071,930)
Increase in liabilities	**199,185,941**	**169,499,105**	**29,686,837**	148,509,788	123,707,478	24,802,310
Total at 31 December	**303,598,389**	**251,435,735**	**52,162,654**	234,891,517	178,829,109	56,062,408
Outstanding claims (including ULAE)	**213,626,576**	**181,060,392**	**32,566,185**	166,092,958	134,554,763	31,538,195
Incurred but not reported	**89,971,813**	**70,375,343**	**19,596,470**	68,798,559	44,274,346	24,524,213
Total at 31 December	**303,598,389**	**251,435,735**	**52,162,654**	234,891,517	178,829,109	56,062,408

11 Insurance contract liabilities and reinsurance contract assets (continued)

	31 December 2021			31 December 2020		
	Gross AED	Reinsurance AED	Total AED	Gross AED	Reinsurance AED	Net AED
Unearned premium:						
Total at 1 January	122,189,223	85,530,265	36,658,958	138,792,481	98,900,552	39,891,929
Increase during the year	314,513,507	228,761,017	85,752,490	289,773,699	216,349,445	73,424,254
Release during the year	(302,716,817)	(224,469,115)	(78,247,702)	(306,376,957)	(229,719,732)	(76,657,225)
Net decrease during the year	11,796,690	4,291,902	7,504,788	(16,603,258)	(13,370,287)	(3,232,971)
Total at 31 December	133,985,913	89,822,167	44,163,746	122,189,223	85,530,265	36,658,958

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

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

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

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

12 Cash and cash equivalents

	2021 AED	2020 AED
Cash on hand	**393,086**	200,410
Current accounts	**48,697,072**	98,680,781
Term deposits*	**165,330,125**	183,208,101
Bank balances and cash	**214,420,283**	282,089,292
Less: term deposits with an original maturity of more than three months	**(165,330,125)**	(183,208,101)
Cash and cash equivalents	**49,090,158**	98,881,191

*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 31 December 2021 (2020: AED 392,227).

Geographical concentration of cash and bank balances is as follows:

	2021 AED	2020 AED
Within UAE	**214,420,283**	282,089,292

The interest rate on term deposits and current accounts with banks ranges between 0.25% and 2.85% (2020: 0.50% and 3%) per annum. All bank balances are held in local banks in the United Arab Emirates.

13 Related party transactions and balances

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

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

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

13 Related party transactions and balances (continued)

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

	Nature of relationship	2021 AED	2020 AED
Due from policyholders – related parties (note 10)	*Affiliates*	**170,363**	641,565
Remuneration of the Directors (note 17)		**4,500,000**	4,500,000

Transactions with related parties during the period are as follows:

	Nature of relationship	2021 AED	2020 AED
Gross premiums written	*Affiliates*	**1,588,076**	1,665,774
Claims paid	*Affiliates*	**416,697**	939,299
Remuneration of the Directors (note 17)		**4,500,000**	4,500,000

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

Remuneration of key management personnel

	2021 AED	2020 AED
Short term benefits	**2,349,720**	2,349,312
Post-employment benefits	**114,906**	114,907
	2,464,626	2,464,219

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

14 Share capital

	2021 AED	2020 AED
Authorised, issue and fully paid:		
100,000,000 (2020: 100,000,000) ordinary shares of AED 1 each	**100,000,000**	100,000,000

Dividends:

Subsequent to the year end on 10 February 2022, the Board of Directors declared a cash dividends of 0.35 fils per share amounting to AED 35,000,000 (2020: 0.40 fils per share amounting to AED 40,000,000).

15 Reserves

Legal reserve
In accordance with the UAE Federal Law Number (2) of 2015, as amended, concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

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

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

Reinsurance reserve
The transfer from retained earnings to reinsurance default reserve is made in accordance with the Insurance Authority (IA) of UAE's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations. The directive requires to allocate an amount equals to 0.5% of the total reinsurance premiums ceded by the Company in order to create a provision for the probability of failure of any of the reinsurers with whom the Company deals to pay what is due to the Company or default in its financial position.

16 Provision for employees' end of service benefit

	2021 AED	2020 AED
At 1 January	**8,341,652**	7,915,825
Charge for the year	**535,310**	538,825
Paid during the year	**(420,383)**	(112,998)
At 31 December	**8,456,579**	8,341,652

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 181,700 (2020: AED 202,574).

17 Insurance and other payables

	2021 AED	2020 AED
Due to policy holders	**42,118,472**	53,528,607
Due to insurance companies	**41,774,416**	47,427,301
Due to reinsurance companies	**15,271,037**	13,439,685
Premium reserve withheld	**57,814,333**	54,098,797
Insurance payables	**156,978,258**	168,494,390
Dividend payable	**5,283,005**	5,269,737
Fee payable to Central Bank of UAE	**1,238,063**	1,173,886
Deferred income	**1,338,213**	1,401,598
Remuneration of the Directors	**4,500,000**	4,500,000
Other payables	**9,920,148**	10,809,173
Other payables	**22,279,429**	23,154,394
	179,257,687	191,648,784

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

Geographical concentration of insurance payables is as follows:

	31 December 2021			31 December 2020		
	Inside UAE AED	Outside UAE AED	Total AED	Inside UAE AED	Outside UAE AED	Total AED
Due to policy holders	**40,061,782**	**2,056,690**	**42,118,472**	53,300,998	227,609	53,528,607
Due to insurance companies	**38,969,613**	**2,804,803**	**41,774,416**	45,143,130	2,284,171	47,427,301
Due to reinsurance companies	**642,843**	**14,628,194**	**15,271,037**	1,182,508	12,257,177	13,439,685
	79,674,238	**19,489,687**	**99,163,925**	99,626,636	14,768,957	114,395,593

18 Profit for the year

Profit for the year is stated after charging:

	2021	2020
	AED	AED
Staff costs (note 23)	**26,927,187**	23,325,373
Depreciation of property and equipment right-of-use assets (note 23)	**1,938,533**	1,806,268
Amortisation of intangible assets (notes 4 & 23)	**848,920**	766,671

19 Basic and diluted earnings per share

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

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

	2021	2020
	AED	AED
Profit for the year (AED)	**38,638,957**	54,795,358
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.39**	0.55

As of 31 December 2021 and 2020, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

20 Net premiums

	Gross premiums written		Reinsurance premiums ceded		Net premiums	
	2021	2020	**2021**	2020	**2021**	2020
	AED	AED	**AED**	AED	**AED**	AED
Motor	**111,552,361**	98,871,023	**62,517,437**	62,436,566	**49,034,924**	36,434,457
Fire	**66,404,636**	61,064,423	**60,559,638**	55,955,577	**5,844,998**	5,108,846
Medical	**44,750,543**	36,999,246	**25,082,410**	17,299,691	**19,668,133**	19,699,555
Engineering	**20,301,359**	20,677,461	**19,413,415**	18,999,980	**887,944**	1,677,481
Marine	**62,325,945**	58,796,862	**57,017,474**	53,593,193	**5,308,471**	5,203,669
Workmen's compensation and third-party liability	**7,011,418**	10,863,746	**2,539,948**	6,133,253	**4,471,471**	4,730,493
Other lines of business	**2,167,245**	2,500,938	**1,630,695**	1,931,184	**536,549**	569,754
	314,513,507	289,773,699	**228,761,017**	216,349,444	**85,752,490**	73,424,255

21 Net claims paid

	Gross claims paid		Reinsurance share of claims paid		Net claims paid	
	2021	2020	**2021**	2020	**2021**	2020
	AED	AED	**AED**	AED	**AED**	AED
Motor	**66,512,374**	58,883,266	**45,724,556**	42,343,147	**20,787,818**	16,540,119
Fire	**15,316,348**	22,224,648	**14,692,861**	21,303,635	**623,487**	921,013
Medical	**36,195,640**	26,926,664	**24,844,579**	17,822,602	**11,351,061**	9,104,062
Engineering	**5,446,161**	7,111,668	**5,331,361**	6,972,432	**114,800**	139,236
Marine	**4,511,779**	22,017,312	**4,305,843**	21,338,766	**205,936**	678,546
Workmen's compensation and third-party liability	**421,432**	382,563	**40,513**	8,489	**380,919**	374,074
Other lines of business	**2,075,335**	3,444,717	**1,952,766**	3,129,837	**122,569**	314,880
	130,479,069	140,990,838	**96,892,479**	112,918,908	**33,586,590**	28,071,930

22 Income from investments

	2021	2020
	AED	AED
Dividend income	**8,843,742**	9,563,163
Interest income	**6,408,518**	7,303,512
Change in fair value of investments carried at fair value through profit or loss (note 9)	**7,708,323**	(2,149,122)
(Loss)/gain on sale of investments carried at fair value through profit or loss	**(423,395)**	137,625
Other investment loss/expense	**(79,266)**	(1,712)
	22,457,922	14,853,466

23 General and administrative expenses

	2021 AED	2020 AED
Staff costs (note 18)	**26,927,187**	23,325,373
Remuneration of the Directors (note 13)	**4,500,000**	4,500,000
Legal and professional fees	**1,791,687**	2,100,944
Central Bank of UAE fees	**1,238,057**	1,173,881
Depreciation of property and equipment and right-of-use assets (note 3, 5 & 18)	**1,938,533**	1,806,268
Impairment of outstanding claims recoveries	**-**	-
Travelling and communication	**910,933**	782,472
Amortisation of intangible assets (note 4 & 18)	**848,920**	766,671
Printing and stationery	**374,065**	355,598
Interest expense on withheld reinsurance balance	**999,258**	529,601
Training cost	**314,513**	289,774
Repair and maintenance	**577,938**	500,540
Other expenses	**2,206,042**	5,525,217
	42,627,133	41,656,339
Allocated to:		
Underwriting	**3,207,005**	2,453,810
Other expenses	**39,420,128**	39,202,529
	42,627,133	41,656,339

24 Risk management

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

Capital management objectives, policies and approach

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

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

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

24 Risk management (continued)

Approach to capital management

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

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

The primary source of coapital used by the Company is equity funds provided by shareholders.

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

No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve, reinsurance reserve and retained earnings, and is measured at AED 463 million as at 31 December 2021 (2020: AED 389 million).

On 28 December 2014, the Insurance Authority (now Central Bank of the UAE) issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Central Bank of the UAE allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

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

The table below summarises 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	2020
	AED	AED
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**148,607,079**	131,566,174
Minimum Guarantee Fund (MGF)	**49,304,271**	42,634,469
Own Funds		
Basic Own Funds	**262,741,703**	233,457,059
Ancillary Own Funds	**-**	-
MCR Solvency Margin surplus	**162,741,703**	133,457,059
SCR Solvency Margin surplus	**114,134,624**	101,890,885
MGF Solvency Margin surplus	**213,437,432**	190,822,590

25 Insurance and financial risk

Regulatory framework

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

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

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

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

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Compay shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements.

Insurance risk

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

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

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

25 Insurance and financial risk (continued)

Insurance risk (continued)

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

Frequency and severity of claims

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

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 500,000 for motor and workmen's compensation and third-party liability AED 300,000 in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The 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. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the 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.

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. 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. Claims requiring court or arbitration decisions are estimated individually by independent loss adjusters along with the Company's internal legal counsel.

25 Insurance and financial risk (continued)

Insurance risk (continued)

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 claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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

Where possible, the 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 estimated loss ratios are analysed below by class of business for the current and previous year:

	31 December 2021		*31 December 2020*	
	Gross loss ratio	**Net loss ratio**	Gross loss ratio	Net loss ratio
Motor	**136%**	**99%**	138%	139%
Non-motor	**136%**	**86%**	68%	78%

Process used to decide on assumptions

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

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

25 Insurance and financial risk (continued)

Insurance risk (continued)

Claims development process

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

Accident year	*2016 and earlier*	*2017*	*2018*	*2019*	*2020*	*2021*	*Total*
	AED	*AED*	*AED*	*AED*	*AED*	*AED*	*AED*
Non-Motor-Gross:							
At the end of the accident year	947,001,994	89,800,376	82,742,058	107,929,183	130,499,128	140,982,060	1,499,870,747
One year later	853,722,342	74,006,018	70,946,976	90,759,301	106,699,514	-	1,196,134,151
Two years later	884,430,864	73,964,090	63,891,142	106,034,886	-	-	1,128,320,983
Three years later	882,889,653	71,087,383	60,475,572	-	-	-	1,014,452,608
Four years later	873,960,386	68,705,369	-	-	-	-	942,665,755
Five years later	878,141,728	-	-	-	-	-	878,141,728
Current estimate of cumulative payments	878,141,728	68,705,369	60,475,572	106,034,886	106,699,514	140,982,060	1,361,039,129
Cumulative payments to date	858,966,818	64,135,992	57,434,175	69,500,615	61,751,376	36,932,874	1,148,721,850
Liability recognized in the statement of financial position	19,174,910	4,569,377	3,041,397	36,534,272	44,948,137	104,049,186	212,317,279
Motor- Gross:							
At the end of the accident year	538,488,411	146,640,701	121,908,015	92,203,877	67,490,132	74,645,744	1,041,376,880
One year later	463,302,257	125,308,055	101,760,899	84,244,582	61,314,576	-	835,930,369
Two years later	460,249,046	126,327,646	103,983,590	86,585,891	-	-	777,146,173
Three years later	459,803.089	120,332,314	104,618,802	-	-	-	684,754,204
Four years later	462,612,615	123,365,172	-	-	-	-	585,977,787
Five years later	450,307,061	-	-	-	-	-	450,307,061
Current estimate of cumulative payments	450,307,061	123,365,172	104,618,802	86,585,891	61,314,576	74,645,744	900,837,245
Cumulative payments to date	448,675,018	117,567,657	95,847,397	74,740,949	44,795,431	33,486,151	815,112,604
Liability recognized in the statement of financial position	1,632,042	5,797,515	8,771,405	11,844,942	16,519,145	41,159,592	85,724,641

Concentration of insurance risk

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

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.

25 Insurance and financial risk (continued)

Insurance risk (continued)

Concentration of insurance risk (continued)

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

	31 December 2021		*31 December 2020*	
	Gross AED	**Net AED**	Gross AED	Net AED
Motor				
UAE	**3,937,748,346**	**1,181,324,504**	18,481,937,354	5,544,581,206
Non-motor				
UAE	**169,904,994,978**	**2,639,567,972**	180,880,832,340	7,120,272,667
GCC Countries	**11,517,375,540**	**-**	19,196,123,909	4,336,553,963
	181,422,370,518	**2,639,567,972**	200,076,956,249	11,456,826,630
Grand Total	**185,360,118,864**	**3,820,892,476**	218,558,893,603	17,001,407,836

Sensitivity of underwriting profit and losses
The insurance operations of the Company resulted in a segment profit of AED 53,731,645 (2020: AED 77,469,819).
• The Company has an overall risk retention level in the region of 2.06% (2020: 7.78%) and the Company is adequately covered by proportional and non-proportional programs to guard against major financial impact.
• The Company has net commission earnings of AED 10,012,908 during the year against AED 21,939,586 in 2020 from underwriting operations, predominantly from the reinsurance placement which remains as a comfortable source of income.

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

Key areas where the Company is exposed to credit risk are:
• reinsurers' share of insurance liabilities;
• amounts due from reinsurers in respect of claims already paid;
• amounts due from insurance contract holders;
• amounts due from insurance intermediaries; and
• amounts due from banks for its bank balances and fixed deposits and bonds.

The Company has adopted a policy of only 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 the management annually.

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

25 Insurance and financial risk (continued)

Credit risk (continued)

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 includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition. 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 receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. 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 and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The Company's five largest customers account for 29% of outstanding accounts receivable at 31 December 2021 (2020: 31%).

At 31 December 2021 and 2020, all term deposits were placed with banks within UAE. Management is confident that this concentration of liquid assets at year-end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

Market risk

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

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

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned above and all the other variables were held constant:
<u>For investments measured at fair value through profit or loss</u>
Fair value would have increased/decreased by AED 3,604,860 (2020: AED 4,013,626).

<u>For investments measured at fair value through other comprehensive income</u>
Changes in revaluation reserves of shares would increase/decrease by AED 24,569,543 (2020: AED 17,055,674) as a result of the changes in fair value of quoted shares.

25 Insurance and financial risk (continued)

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 exposed to interest rate risk on its investment in bonds and term deposits that carry fixed interest rates which are detailed in Notes 9 and 12, respectively.

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

Interest rate sensitivity analysis

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

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

Currency risk

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

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

Liquidity risk

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

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2021 and 31 December 2020, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED	Non-current >1 year AED	Total AED
31 December 2021			
Provision for employees end of service	**-**	**8,456,579**	**8,456,579**
Lease liabilities	**1,195,243**	**2,819,769**	**4,015,012**
Insurance and other payables	**179,257,687**	**-**	**179,257,687**
Insurance contract liabilities	**442,621,107**	**-**	**442,621,107**
	623,074,037	**11,276,348**	**634,350,385**
31 December 2020			
Provision for employees end of service	-	8,341,652	8,341,652
Lease liabilities	1,203,375	3,669,432	4,872,807
Trade and other payables	191,648,784	-	191,648,784
Insurance contract liabilities	358,127,301	-	358,127,301
	550,979,460	12,011,084	562,990,544

25 Insurance and financial risk (continued)

Liquidity risk (continued)

The expected maturity profile of the assets at 31 December 2021 and 2020 is as follows:

	Less than one year	More than one year	No maturity date	Total
	AED	AED	AED	AED
31 December 2021				
Property and equipment	-	-	1,270,692	1,270,692
Intangible assets	-	-	3,287,444	3,287,444
Right-of-use-assets	-	-	4,305,866	4,305,866
Investment properties	-	-	65,812,225	65,812,225
Statutory deposits	-	-	9,980,000	9,980,000
Deferred acquisition costs	23,221,362	-	-	23,221,362
Investments carried at fair value through other comprehensive income	-	245,695,433	-	245,695,433
Investments carried at fair value through profit or loss	103,340,654	-	-	103,340,654
Insurance balances receivable	99,869,670	-	-	99,869,670
Reinsurer's share of unearned premium reserve	89,822,167	-	-	89,822,167
Reinsurer's share of outstanding claims reserve	181,060,392	-	-	181,060,392
Reinsurer's share of claims incurred but not reported reserve	70,375,343	-	-	70,375,343
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	-	-	-	-
Prepayments and other receivables	6,861,229	-	-	6,861,229
Deposits	165,330,125	-	-	165,330,125
Bank balances and cash	49,090,158	-	-	49,090,158
	788,971,100	245,695,433	84,656,227	1,119,322,760

25 Insurance and financial risk (continued)

Liquidity risk (continued)

	Less than one year	More than one year	No maturity date	Total
	AED	AED	AED	AED
31 December 2020				
Property and equipment	-	-	1,534,096	1,534,096
Intangible assets	-	-	3,817,779	3,817,779
Right-of-use-assets	-	-	5,312,243	5,312,243
Investment properties	-	-	65,812,225	65,812,225
Statutory deposits	-	-	9,980,000	9,980,000
Deferred acquisition costs	16,432,759	-		16,432,759
Investments carried at fair value through other comprehensive income	-	170,556,736	-	170,556,736
Investments carried at fair value through profit or loss	40,136,262	-		40,136,262
Insurance balances receivable	106,329,866	-		106,329,866
Reinsurer's share of unearned premium reserve	85,530,265	-		85,530,265
Reinsurer's share of outstanding claims reserve	134,554,763	-		134,554,763
Reinsurer's share of claims incurred but not reported reserve	44,274,346	-		44,274,346
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	-	-		-
Prepayments and other receivables	7,800,394	-		7,800,394
Deposits	183,208,101	-		183,208,101
Bank balances and cash	98,881,191	-		98,881,191
	717,147,947	170,556,736	86,456,343	974,161,026

Except for employees' end of service benefits of AED 8,456,579 (2020: AED 8,341,652) and the non-current portion of lease liabilities amounting to AED 2,819,769 (2020: AED 3,669,432), the Company expects its liabilities of AED 623,074,037 (2020: AED 550,979,460) to mature in less than twelve months from the reporting date.

26 Fair value of financial instruments

Financial instruments comprise financial assets and financial liabilities.

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

26 Fair value of financial instruments (continued)

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2021 and 31 December 2020:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
31 December 2021				
Investments carried at fair value through other comprehensive income	**245,695,433**	**-**	**-**	**245,695,433**
Investments carried at fair value through profit and loss	**46,524,926**	**51,133,441**	**5,682,287**	**103,340,654**
	292,220,359	**51,133,411**	**5,682,287**	**349,036,087**
31 December 2020				
Investments carried at fair value through other comprehensive income	170,556,736	-	-	170,556,736
Investments carried at fair value through profit and loss	33,307,526	-	6,828,736	40,136,262
	203,864,262	-	6,828,736	210,692,998

Valuation technique:
Level 1: Quoted bid prices in an active market
Level 2: Valuation based on selected observable market inputs
Level 3: Net assets value based on audited financials

During the reporting periods ended 31 December 2021 and 31 December 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

27 Segment reporting

27.1 Segment revenue and results

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

The following summary describes the two main business segments:

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

27 Segment reporting (continued)

27.1 Segment revenue and results (continued)

Information regarding the Company's reportable segments is presented below:

	31 December 2021			31 December 2020		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	369,489,183	17,574,823	387,064,006	346,387,647	19,853,185	366,240,832
Direct costs	(314,905,653)	(764,739)	(315,670,392)	(271,566,406)	(925,728)	(272,492,134)
Other underwriting income	2,355,120	-	2,355,120	5,102,387	-	5,102,387
Other underwriting expenses	(3,207,005)	-	(3,207,005)	(2,453,810)	-	(2,453,810)
Non-cash investment gain/(loss)	-	7,608,323	7,708,323	-	(2,150,833)	(2,150,833)
Segment profit	53,731,645	24,518,407	78,250,052	77,469,818	16,776,624	94,246,442
General and administrative expenses	(39,420,128)		(39,420,128)	(39,202,529)		(39,202,529)
Finance cost	(194,467)		(194,467)	(261,618)		(261,618)
Other income		3,500	3,500		13,063	13,063
Profit for the year	14,117,050	24,521,907	38,638,957	38,005,671	16,789,687	54,795,358

27.2 Segment assets and liabilities

	31 December 2021			31 December 2020		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	480,074,165	590,158,437	1,070,232,602	405,586,511	469,693,324	875,279,835
Unallocated assets	-	-	49,090,158	-	-	98,881,191
Total assets			1,119,322,760			974,161,026
Segment liabilities	645,548,054	5,391,224	650,939,278	573,059,379	6,509,086	579,568,465
Unallocated liabilities	-	-	5,283,005	-	-	5,269,737
Total liabilities			656,222,283			584,838,202
Capital expenditure	846,235	-	846,235	3,662,357	-	3,662,357

27 Segment reporting (continued)

27.3 Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	2021 AED	2020 AED
Motor	**128,626,806**	115,723,647
Medical	**48,512,915**	39,594,200
Engineering	**26,644,184**	27,296,330
Fire	**87,888,283**	80,483,973
Marine	**67,883,910**	66,074,942
Workman compensation and third-party liability	**7,389,759**	11,550,562
Other lines of business	**2,567,565**	2,771,657
	369,513,422	343,495,311

27.4 Geographical information

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Company are held in the UAE and other GCC countries.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2021 AED	Revenue 2020 AED	Total assets 2021 AED	Total assets 2020 AED
United Arab Emirates	**306,647,394**	**284,028,854**	**1,034,650,111**	969,441,306
Other GCC Countries	**11,253,837**	**9,094,927**	**8,703,573**	2,533,747
Others	**51,612,191**	**50,371,530**	**75,969,076**	2,185,973
	369,513,422	**343,495,311**	**1,119,322,760**	974,161,026

28 Commitments and contingent liabilities

Legal claims

The Company, in common with the majority of insurers, is subject to claims and litigation in the normal course of its business. Based on advice from internal claims department and independent legal advice, the management records provision representing best estimate of probable outflow of economic resources

Guarantees

	2021 AED	2020 AED
Bank guarantees	**16,044,222**	18,550,200

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

29 Reclassifications

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. Management believes that the current year presentation provides more meaningful information to the readers of the financial statements.

These reclassifications did not have any impact on the current or prior year's statement of comprehensive income or retained earnings.

30 Approval of the financial statements

The financial statements were approved and authorized for issue by the Board of Directors on 17 February 2022.

31 Subsequent events

On January 31, 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after June 1, 2023. There is no impact of this announcement on the financial statements of the Company for the year ended December 31, 2021. Management will assess the implications of this Federal Corporate Tax in due course.

32 Impact of COVID-19 on the Company's operations

The coronavirus ("COVID-19") pandemic has spread rapidly across the globe. The novel coronavirus (COVID-19) outbreak is a serious and unprecedented public health threat. It has interrupted the movement of people and goods/service throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The pandemic has had significant negative effects on the global economy. The resulting impact on financial reporting will be significant.

The Management has determined that the COVID-19 pandemic has not created a material uncertainty that casts doubt on the entity's ability to continue as a going concern.

The COVID-19 pandemic has developed rapidly since 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. Management has taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for the people (such as social distancing and working from home) and ensuring uninterrupted services that are essential to our business.

At this stage, the impact on the Company's business and results has not been significant and based on experience to date the management expect this to remain. As the Company operates in Insurance Sector, management has found demand for its products/ services and expect this to continue. The management will continue to follow the various government policies and advises and, in parallel, the management is doing utmost to continue operations in the best and safest way possible without jeopardizing the health of all stakeholders.

Management has performed impairment testing on Property, plant and equipment and intangible assets and has identified that no indicators of impairment that exist as a result of the economic conditions caused by the spread of COVID-19.

32 Impact of COVID-19 on the Company's operations (continued)

The negative economic outlook and cash flow difficulties experienced by customers because of COVID-19 and financial instruments and the measurement of expected credit losses - under IFRS 9 based on information about past events, current conditions and forecasts of future economic conditions are also considered for our ECL provision for the year 2021.

Since 31 December 2019, the consequences of the COVID-19 outspread has not materially and adversely affected the supply and demand for the Company's primary products / services and therefore, its operating results have not been significantly affected.