

**ALLIANCE INSURANCE P.S.C.**

**Report of the Board of Directors, Independent auditor's report and  
financial statements  
for the year ended 31 December 2021**

## **ALLIANCE INSURANCE P.S.C.**

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**Board of Directors Report  
For the Year Ended December 31, 2021**

Dear Shareholders,

On behalf of the Board of Directors and myself, it gives me great pleasure to welcome you to the Annual General Meeting to present the financial report for the year 2021, along with the financial statements, as well as the Auditor's report for the year ended, 31, December 2021.

During 2021, global economies continued to witness challenging times, the most recent the global pandemic (COVID-19) with continued increased cases and more outbreaks of variants to further stress financial markets and the insurance industry. However, the UAE leadership continued its vigorous efforts to safeguard public health by enforcing concrete measures to mitigate the risks on public health. As a result, the United Arab Emirates has reached a staggering 100% vaccination by the end of 2021. Moving forward, we believe conditions will continue to improve. As the world continues to learn more about Covid 19 and the subsequent variant, worldwide vaccination efforts remain steadfast, and education about safety measures continue to evolve, causing world citizens to return to normality.

The UAE leadership continues to formulate and apply stronger regulations to deliver better performance for the insurance industry. Despite the challenges of an overcrowded industry, fierce competition, and the challenges of low-interest rates on investments, Alliance continued to show solid results and consistent profitability for the last eleven years. Alliance also maintained its (A- Excellent) rating by A.M. Best for fifteen consecutive years, and these results are due to robust strategies implemented with careful analysis of market conditions. The approach by Board Members, Senior Management, and employees are the main reason behind the continued profitable position throughout the years.

The following is the overall performance summary of the company for the year 2021 compared with the year 2020:

**Please note all figures are in AED**

	2021	2020
Cash and cash equivalents/deposits/statutory deposits	509,694,147	557,163,263
Investments at amortised cost	333,077,974	335,622,610
Total Assets	1,374,202,082	1,446,261,734
Total equity	538,617,097	526,898,606
Gross premiums	304,047,160	323,267,756
Gross claims paid	73,144,362	41,116,877
Profit for the year	41,121,212	42,140,206

The net profit for the year 2021 after technical reserves and doubtful debts stands at AED 41,121,212 Compared to AED 42,140,206 in 2020.



In light of the results for the financial year ended 31 December 2021, the Board of Directors presents for your consideration the following recommendations:

1. Approval of the Directors' report and the Auditor's report for the year 2021.
2. Approval of the financial statements for the year ended 31 December 2021.
3. Approve the recommendation of the Board for the distribution of profits for the year 2021 and the retained earnings of the year 2020 amounting AED 51,229,385 as follows:
  - a. AED 4,112,121 to be transferred to the Statutory Reserve as 10% of the net profit for the year 2021.
  - b. AED 4,112,121 to be transferred to the Regular Reserve as 10% of the net profit for the year 2021.
  - c. AED 900,805 to be transferred to the Reinsurance Reserve as 0.5% of the total reinsurance premiums ceded for the year 2021.
  - d. AED 30,000,000 (30% of paid-up capital) as cash dividend to shareholders.
  - e. AED 1,115,883 Director's Remuneration.
  - f. AED 10,988,455 Retained Earnings carried forward to the fiscal year 2022.
4. To discharge the Chairman, Board of Directors and Auditors from their responsibility for the year ended 31 December 2021.
5. To appoint / reappoint Auditors for the year 2022 and determine their fees.

To the best of our knowledge, the financial information included in the report fairly presents in all material respects the financial condition, financial performance and cash flows of the Company as of, and for, the periods presented therein.

In conclusion, the Board of Directors would like to take this opportunity to extend their sincere appreciation and gratitude to His Highness Sheikh Khalifa Bin Zayed Bin Sultan Al Nahyan, the President of the United Arab Emirates, His Highness Sheikh Mohamed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, and their Highnesses, the brothers' Sheikhs, members of the Supreme Council of the Union for their continuous support to economic institutions and national companies.

We also take this opportunity to express our appreciation to our reinsurance partners who continue to support us. We also express our sincere appreciation to our clients for their trust in our company, and to the management and staff of Alliance for their dedication, hard work and loyalty.

**Chairman of the Board**  
**08 March 2022**

## INDEPENDENT AUDITOR'S REPORT

**The Shareholders of  
Alliance Insurance P.S.C.  
Dubai  
United Arab Emirates**

### Report on the audit of the financial statements

#### Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the other ethical requirements that are relevant to our audit of Company's financial statements in United Arab Emirates, and we have fulfilled our other ethical responsibilities. 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 current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR’S REPORT  
TO THE SHAREHOLDERS OF ALLIANCE INSURANCE P.S.C. (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><b><i>Valuation of insurance contract liabilities and reinsurance contract assets</i></b></p> <p>As at 31 December 2021, insurance contract liabilities and reinsurance contract assets amounted to AED 663.1 million and AED 160.4 million respectively, as detailed in Note 10 to these financial statements.</p> <p>The valuation of these liabilities requires significant judgements to be applied and estimates to be made. Reinsurance contract assets includes amounts that the Company is entitled to receive in accordance with the reinsurance contracts and, more specifically, the share of the reinsurer in the insurance contract liabilities of the Company.</p> <p>This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes 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 related technical reserves along with their reinsurance recoveries. A range of models are applied by management, the internal actuary and independent external actuary to determine these provisions. Underlying these models are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.</p> <p>As a result of all the above factors, we consider the valuation of insurance contract liabilities and reinsurance contract assets as key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Assessing the design and implementation of key controls related to the integrity of the data used in the actuarial reserving process;</li> <li>• Evaluating and testing the claims handling and case reserve setting processes of the Company including allocation of the reinsurance portion of claims;</li> <li>• Evaluating and testing the data used in the actuarial reserving process;</li> <li>• Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, reinsurance contracts etc.;</li> <li>• Reperforming reconciliations between the claims data recorded in the Company’s systems and the data used in the actuarial reserving calculations;</li> <li>• Evaluating the objectivity, skills, qualifications and competence of the independent external actuary;</li> <li>• Reviewing the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes; and</li> <li>• Agreeing samples of unearned premiums to appropriate documentation.</li> </ul> <p>In addition, with the assistance of our internal actuarial specialists, we:</p> <ul style="list-style-type: none"> <li>• performed necessary reviews to ascertain whether the results are appropriate for valuation of insurance contract liabilities and reinsurance contract assets;</li> <li>• reviewed the actuarial report compiled by the independent external actuary of the Company and calculations underlying these provisions, particularly the following areas: <ul style="list-style-type: none"> <li>• Appropriateness of the calculation methods and the model used (actuarial best practice)</li> <li>• Review of key assumptions</li> <li>• Consistency of assumptions used between valuation periods</li> <li>• General application of financial and mathematical rules.</li> </ul> </li> </ul> <p>We assessed the disclosures in the financial statements about insurance contract liabilities and reinsurance contract assets to determine if they were in compliance with IFRSs.</p>

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ALLIANCE INSURANCE P.S.C. (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<p><i>Valuation of investment properties</i></p> <p>Investment properties represented 15.1% of total assets as at 31 December 2021. Management appointed independent external valuers to determine the fair valuation of investment properties.</p> <p>The valuation of investment properties, as detailed in Note 7, requires significant judgement to be applied and estimates to be made by both management and the independent external valuers. Consequently, we considered this to be a key audit matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of the process of determining the fair value of the investment properties;</li> <li>• We assessed the controls over the determination of the fair value of investment property to determine if they had been appropriately designed and implemented;</li> <li>• We assessed the competence, skills, qualifications and objectivity of the independent external valuers;</li> <li>• We reviewed the scope of the engagement between the external valuer and the Company to determine if this was sufficient for audit purposes;</li> <li>• We verified the accuracy, completeness and relevance of the input data used for deriving fair values;</li> <li>• We utilised our internal valuation experts on a sample basis to evaluate the methodology used and the appropriateness of key assumptions used in the investment property valuations;</li> <li>• We reperformed the mathematical accuracy of the valuations on a sample basis;</li> <li>• We agreed the results of the valuations to the amounts recorded in the financial statements; and</li> <li>• We assessed the adequacy of disclosures included in financial statements against the requirements of IFRSs.</li> </ul>

**Other Information**

The Board of Directors and management is responsible for the other information, which comprises the Directors' Report which we obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditor's report thereon.

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ALLIANCE INSURANCE P.S.C. (continued)**

**Other Information** (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the articles of association of the Company, United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015 (as amended), and U.A.E. 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ALLIANCE INSURANCE P.S.C. (continued)**

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

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

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

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

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

**Report on other Legal and Regulatory Requirements**

Further, as required by the UAE Federal Law No. (2) of 2015 (as amended), we report that for the year ended 31 December 2021:

- i) we have obtained all the information we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable UAE Federal Law No. (2) of 2015 (as amended);
- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Directors' report is consistent with the books of account of the Company;
- v) as disclosed in Note 8 to the financial statements, the Company has investment in securities as at 31 December 2021;

**INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF ALLIANCE INSURANCE P.S.C. (continued)**

**Report on other Legal and Regulatory Requirements (continued)**

- vi) Note 28 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;
- 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 UAE Federal Law No. (2) of 2015 (as amended), or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2021; and
- viii) Note 26 to the financial statements discloses the social contributions made during the financial year ended 31 December 2021.

Further, as required by the U.A.E. Federal Law No. 6 of 2007, and the related Financial Regulations for Insurance Companies issued by the Central Bank of the United Arab Emirates ("CBUAE"), we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)



Signed by:  
Samir Madbak  
Registration No. 386  
8 March 2022  
Sharjah, United Arab Emirates

**Statement of financial position**  
**At 31 December 2021**

	Notes	2021 AED	2020 AED
<b>ASSETS</b>			
Property and equipment	6	3,804,097	4,261,569
Investment properties	7	207,538,000	200,440,000
Investments at amortised cost	8.1	333,077,974	335,622,610
Investments at fair value through other comprehensive income (FVOCI)	8.2	6,888,342	5,175,180
Loans guaranteed by life insurance policies	9	45,543,850	48,458,780
Reinsurance contract assets	10	160,402,854	192,691,454
Deferred acquisition costs	11	2,403,699	5,937,160
Premium and insurance balances receivable	12	80,691,232	74,924,855
Other receivables and prepayments	13	24,157,887	21,586,863
Statutory deposits	14	10,228,125	10,000,000
Deposits	15	416,653,053	498,471,334
Cash and cash equivalents	16	82,812,969	48,691,929
<b>Total assets</b>		<b>1,374,202,082</b>	<b>1,446,261,734</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	17	100,000,000	100,000,000
Statutory reserve	18.1	93,661,305	89,549,184
Regular reserve	18.2	84,072,105	79,959,984
General reserve	18.3	222,000,000	222,000,000
Reinsurance reserve	18.4	1,770,456	869,651
Cumulative change in fair value of FVOCI investments		(3,875,224)	(5,588,386)
Retained earnings		40,988,455	40,108,173
<b>Total equity</b>		<b>538,617,097</b>	<b>526,898,606</b>
<b>Liabilities</b>			
Provision for employees' end of service indemnity	19	4,713,384	4,984,443
Accounts payable	20	82,837,200	83,226,463
		<b>87,550,584</b>	<b>88,210,906</b>
<b>Insurance liabilities</b>			
Insurance liabilities	21	70,672,128	74,436,991
Premium collected in advance		9,525,707	9,198,901
Deferred commission income	22	4,685,895	4,707,241
		<b>84,883,730</b>	<b>88,343,133</b>

The accompanying notes form an integral part of these financial statements.

**Statement of financial position (continued)**  
**At 31 December 2021**

	Notes	2021 AED	2020 AED
<b>Insurance contract liabilities –</b>			
<b>Technical provisions</b>	10		
Unearned premium reserve		69,655,680	94,398,298
Claims under settlement reserve		88,632,109	119,758,932
Incurred but not reported reserve		25,546,433	17,622,329
Unallocated loss adjustment expense reserve		912,239	581,186
Unexpired risk reserve		189,079	890,986
Mathematical reserve		478,215,131	509,557,358
		<hr/>	<hr/>
<b>Total insurance contract liabilities</b>		<b>663,150,671</b>	<b>742,809,089</b>
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>835,584,985</b>	<b>919,363,128</b>
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>1,374,202,082</b>	<b>1,446,261,734</b>
		<hr/> <hr/>	<hr/> <hr/>

To the best of our knowledge, the financial statements present fairly in all material respects the financial position, financial performance and cash flows of the Company.

These financial statements were approved by the Board of Directors on 8 March 2022 and were signed on its behalf by:

  
 \_\_\_\_\_  
 Saeed Mohammed Alkamda  
 Vice-Chairman

  
 \_\_\_\_\_  
 Aimen Saba Azara  
 Executive Board Member and CEO

The accompanying notes 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 premium	29	304,047,160	323,267,756
Reinsurance share of gross premiums	29	(180,160,900)	(173,930,148)
<b>Net premium</b>		<b>123,886,260</b>	<b>149,337,608</b>
Net change in unearned premium/unexpired risk Reserves	29	18,772,493	(11,183,621)
<b>Net premium earned</b>	29	<b>142,658,753</b>	<b>138,153,987</b>
Commissions received		15,439,522	15,856,373
Commissions paid		(11,243,865)	(18,503,114)
Movement in deferred acquisition costs/ commission income – net		(3,512,116)	1,335,461
<b>Gross underwriting income</b>		<b>143,342,294</b>	<b>136,842,707</b>
Gross claims paid	30	(73,144,362)	(41,116,877)
Reinsurance share of insurance claims and loss adjustment expenses	30	43,552,571	19,517,804
<b>Net claims paid</b>	30	<b>(29,591,791)</b>	<b>(21,599,073)</b>
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve		(2,744,902)	(1,228,723)
Earnings and cancellations of life insurance Policies		(94,756,938)	(95,855,848)
Decrease in mathematical reserves	10.2	31,342,227	40,672,950
<b>Net claims incurred</b>		<b>(95,751,404)</b>	<b>(78,010,694)</b>
<b>Net underwriting income</b>		<b>47,590,890</b>	<b>58,832,013</b>
Income from financial investments	23	33,877,519	39,853,903
Income from investments properties - net	24	16,592,758	6,390,828
Foreign currency exchange gain		287,927	398,442
Other income	25	2,145,530	1,581,655
<b>Total investment and other income</b>		<b>52,903,734</b>	<b>48,224,828</b>
<b>Total income</b>		<b>100,494,624</b>	<b>107,056,841</b>
General and administrative expenses	26	(28,082,946)	(28,881,262)
Net provision and expected credit loss		(688,014)	(1,432,333)
Bonuses and rebates (net of reinsurance)		(28,958,272)	(32,233,421)
Other operating expenses		(1,644,180)	(2,369,619)
<b>Total expenses</b>		<b>(59,373,412)</b>	<b>(64,916,635)</b>
<b>Profit for the year</b>		<b>41,121,212</b>	<b>42,140,206</b>
<b>Basic and diluted earnings per share</b>	27	<b>41.12</b>	<b>42.14</b>

The accompanying notes form an integral part of these financial statements.

**Statement of comprehensive income**  
**For the year ended 31 December 2021**

	<b>2021</b>	2020
	<b>AED</b>	AED
Profit for the year	<b>41,121,212</b>	42,140,206
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Net change in fair value of equity instruments designated at fair value through other comprehensive income	<b>1,713,162</b>	535,363
<b>Total other comprehensive income for the year</b>	<b>1,713,162</b>	535,363
<b>Total comprehensive income for the year</b>	<b>42,834,374</b>	42,675,569

The accompanying notes form an integral part of these financial statements.

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

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Reinsurance reserve AED	Cumulative change in fair value of FVOCI investments AED	Retained earnings AED	Total AED
Balance at 31 December 2019	100,000,000	85,335,163	75,745,963	217,000,000	-	(6,123,749)	43,414,150	515,371,527
Profit for the year	-	-	-	-	-	-	42,140,206	42,140,206
Other comprehensive income for the year	-	-	-	-	-	535,363	-	535,363
Total comprehensive income for the year	-	-	-	-	-	535,363	42,140,206	42,675,569
Transfer to general reserve (Note 18.3)	-	-	-	5,000,000	-	-	(5,000,000)	-
Transfer to regular reserve (Note 18.2)	-	-	4,214,021	-	-	-	(4,214,021)	-
Transfer to statutory reserve (Note 18.1)	-	4,214,021	-	-	-	-	(4,214,021)	-
Transfer to reinsurance reserve (Note 18.4)	-	-	-	-	869,651	-	(869,651)	-
Directors' remuneration	-	-	-	-	-	-	(1,148,490)	(1,148,490)
Dividends paid (Note 35)	-	-	-	-	-	-	(30,000,000)	(30,000,000)
Balance at 31 December 2020	100,000,000	89,549,184	79,959,984	222,000,000	869,651	(5,588,386)	40,108,173	526,898,606
Profit for the year	-	-	-	-	-	-	41,121,212	41,121,212
Other comprehensive income of the year	-	-	-	-	-	1,713,162	-	1,713,162
Total comprehensive income for the year	-	-	-	-	-	1,713,162	41,121,212	42,834,374
Transfer to regular reserve (Note 18.2)	-	-	4,112,121	-	-	-	(4,112,121)	-
Transfer to statutory reserve (Note 18.1)	-	4,112,121	-	-	-	-	(4,112,121)	-
Directors' remuneration	-	-	-	-	-	-	(1,115,883)	(1,115,883)
Transfer to reinsurance reserve (Note 18.4)	-	-	-	-	900,805	-	(900,805)	-
Dividends paid (Note 35)	-	-	-	-	-	-	(30,000,000)	(30,000,000)
<b>Balance at 31 December 2021</b>	<b>100,000,000</b>	<b>93,661,305</b>	<b>84,072,105</b>	<b>222,000,000</b>	<b>1,770,456</b>	<b>(3,875,224)</b>	<b>40,988,455</b>	<b>538,617,097</b>

The accompanying notes form an integral part of these financial statements.

**Statement of cash flows**  
**For the year ended 31 December 2021**

	<b>2021</b>	2020
	<b>AED</b>	AED
<b>Cash flows from operating activities</b>		
Profit for the year	<b>41,121,212</b>	42,140,206
Adjustments for:		
Depreciation of property and equipment	<b>726,516</b>	946,145
Property and equipment written off during the period	<b>90,020</b>	-
(Gain)/loss in fair value of investment properties	<b>(7,098,000)</b>	5,346,000
Income from investment properties – net	<b>(9,494,758)</b>	(11,736,828)
Provision for employees’ end of service indemnity	<b>507,666</b>	472,489
Amortisation of fees, premiums and discounts on investments	<b>1,684,804</b>	1,805,745
Dividend income	<b>(285,525)</b>	(356,907)
Interest income from loans guaranteed by life insurance policies	<b>(2,997,655)</b>	(3,428,868)
Interest income from investments at amortised cost	<b>(18,972,742)</b>	(16,453,714)
Interest income from deposits	<b>(11,621,597)</b>	(19,614,414)
Net provision and expected credit loss	<b>688,014</b>	1,432,333
	<hr/>	<hr/>
<b>Operating cash flows before movements in working capital</b>	<b>(5,652,045)</b>	552,187
Increase in insurance, other receivables and prepayments	<b>(7,578,422)</b>	(15,607,406)
Decrease/(increase) in reinsurance contract assets	<b>32,288,600</b>	(58,728,081)
(Decrease)/increase in technical provisions	<b>(79,658,418)</b>	30,467,475
(Decrease)/increase in accounts payable, insurance liabilities and premium collected in advance	<b>(3,967,029)</b>	32,977,164
Decrease/(increase) in deferred acquisition costs	<b>3,533,461</b>	(2,886,659)
(Decrease)/increase in deferred commission income	<b>(21,346)</b>	1,551,198
	<hr/>	<hr/>
<b>Cash used in operations</b>	<b>(61,055,199)</b>	(11,674,122)
Employees’ end of service indemnity paid	<b>(778,725)</b>	(730,956)
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(61,833,924)</b>	(12,405,078)
	<hr/>	<hr/>

The accompanying notes form an integral part of these financial statements.



**Statement of cash flows (continued)**  
**For the year ended 31 December 2021**

	<b>2021</b>	2020
	<b>AED</b>	AED
<b>Cash flows from investing activities</b>		
Deposits encashed during the year	<b>80,801,334</b>	60,131,351
Income received on deposits	<b>12,854,528</b>	28,253,951
Income received from investment properties	<b>7,487,314</b>	8,721,412
Income received from investments at amortised cost	<b>18,972,742</b>	12,933,121
Dividend income received	<b>285,525</b>	356,907
Net decrease in loans guaranteed by life insurance policies	<b>5,912,585</b>	4,095,977
Purchase of property and equipment	<b>(359,064)</b>	(116,304)
Purchases of financial investments at amortised cost	-	(101,081,228)
	<hr/>	<hr/>
<b>Net cash generated from investing activities</b>	<b>125,954,964</b>	13,295,187
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Dividend paid	<b>(30,000,000)</b>	(30,000,000)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(30,000,000)</b>	(30,000,000)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>34,121,040</b>	(29,109,891)
Cash and cash equivalents at the beginning of the year	<b>48,691,929</b>	77,801,820
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year (Note 16)</b>	<b>82,812,969</b>	48,691,929
	<hr/> <hr/>	<hr/> <hr/>

The accompanying notes form an integral part of these financial statements.

**Notes to the financial statements**  
**For the year ended 31 December 2021**

**1. Segment information**

For management purposes, the Company is organised into two business segments, property and liability insurance (general insurance) and insurance of persons and fund accumulation operations (life assurance). The general insurance segment comprises motor, marine, fire, engineering, medical, and general accident. The life assurance segment includes only long term life and group life. These segments are the basis on which the Company reports its primary segment information. Segment-wise information is disclosed below:

**1.1 Segment financial position for insurance of persons and fund accumulation operations**

	<b>2021</b>	2020
	<b>AED</b>	AED
<b>ASSETS</b>		
Property and equipment	2,141,398	2,400,080
Investment properties	129,812,500	123,595,000
Investments at amortised cost	243,822,466	245,775,581
Loans guaranteed by life insurance policies	45,543,850	48,458,780
Reinsurance contract assets	3,177,607	2,492,524
Deferred acquisition costs	159,269	198,033
Premium and insurance balances receivable	900,533	477,780
Other receivables and prepayments	11,668,759	10,892,996
Statutory deposits	2,228,125	2,000,000
Deposits	187,460,175	260,331,785
Cash and cash equivalents	67,126,616	14,690,701
Inter-division balance	109,549,634	122,794,303
	<hr/>	<hr/>
<b>Total assets</b>	<b>803,590,932</b>	834,107,563
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	50,000,000	50,000,000
Statutory reserve	45,155,315	42,942,387
Regular reserve	40,360,715	38,147,787
General reserve	107,552,461	107,552,461
Reinsurance reserve	45,856	23,780
Retained earnings	21,412,790	18,998,514
	<hr/>	<hr/>
<b>Total equity</b>	<b>264,527,137</b>	257,664,929
	<hr/>	<hr/>
<b>Liabilities</b>		
Provision for employees' end of service indemnity	2,182,683	2,254,298
Accounts payable	10,603,976	12,743,566
	<hr/>	<hr/>
	<b>12,786,659</b>	14,997,864
	<hr/>	<hr/>
<b>Insurance liabilities</b>		
Insurance liabilities	33,085,243	37,283,112
Premium collected in advance	9,525,707	9,198,901
Deferred commission income	1,669	2,279
	<hr/>	<hr/>
	<b>42,612,619</b>	46,484,292
	<hr/>	<hr/>

Notes to the financial statements  
For the year ended 31 December 2021 (continued)

1. Segment information (continued)

1.1 Segment financial position for insurance of persons and fund accumulation operations (continued)

	2021 AED	2020 AED
<b>Insurance contract liabilities – Technical provisions</b>		
Unearned premium reserve	1,946,169	1,625,502
Claims under settlement reserve	2,532,654	2,240,882
Incurred but not reported reserve	792,327	1,236,511
Unallocated loss adjustment expense reserve	58,521	23,161
Unexpired risk reserve	119,715	277,064
Mathematical reserve	478,215,131	509,557,358
<b>Total insurance contract liabilities</b>	<b>483,664,517</b>	514,960,478
<b>Total liabilities</b>	<b>539,063,795</b>	576,442,634
<b>Total equity and liabilities</b>	<b>803,590,932</b>	834,107,563

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**1. Segment information (continued)**

**1.2 Segment profit or loss for insurance of persons and fund accumulation operations**

	2021 AED	2020 AED
Gross premium	101,160,487	104,808,317
Reinsurance share of gross premium	(4,415,193)	(4,755,922)
<b>Net premium</b>	<b>96,745,294</b>	<b>100,052,395</b>
Net change in unearned premium/unexpired risk reserve	101,812	(572,767)
<b>Net premium earned</b>	<b>96,847,106</b>	<b>99,479,628</b>
Commissions received	832,383	913,201
Commissions paid	(5,645,401)	(8,412,965)
Movement in deferred acquisition costs/commission income - net	(38,153)	123,167
<b>Gross underwriting income</b>	<b>91,995,935</b>	<b>92,103,031</b>
Gross claims paid	(4,748,357)	(3,502,113)
Reinsurance share of insurance claims and loss adjustment expenses	2,100,261	1,404,181
<b>Net claims paid</b>	<b>(2,648,096)</b>	<b>(2,097,932)</b>
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	537,005	223
Earnings and cancellations of life insurance policies	(94,756,938)	(95,855,848)
Decrease in mathematical reserves	31,342,227	40,672,950
<b>Net claims incurred</b>	<b>(65,525,802)</b>	<b>(57,280,607)</b>
<b>Net underwriting income</b>	<b>26,470,133</b>	<b>34,822,424</b>
Income from financial investments	23,009,846	26,442,506
Income from investments properties - net	12,846,982	5,497,951
Foreign currency exchange gain	343,760	223,026
Other income	150,980	86,128
<b>Total investment and other income</b>	<b>36,351,568</b>	<b>32,249,611</b>
<b>Total income</b>	<b>62,821,701</b>	<b>67,072,035</b>
General and administrative expenses	(10,930,034)	(11,529,592)
Net provision and expected credit loss	(483,411)	(319,761)
Bonuses and rebates (net of reinsurance)	(28,958,272)	(32,233,421)
Other operating expenses	(320,704)	(355,456)
<b>Total expenses</b>	<b>(40,692,421)</b>	<b>(44,438,230)</b>
<b>Profit for the year</b>	<b>22,129,280</b>	<b>22,633,805</b>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**1. Segment information (continued)**

**1.3 Segment financial position for property and liability insurance**

	<b>2021</b>	2020
	<b>AED</b>	AED
<b>ASSETS</b>		
Property and equipment	<b>1,662,699</b>	1,861,489
Investment properties	<b>77,725,500</b>	76,845,000
Investments at amortised cost	<b>89,255,508</b>	89,847,029
Investments at fair value through other comprehensive income (FVOCI)	<b>6,888,342</b>	5,175,180
Reinsurance contract assets	<b>157,225,247</b>	190,198,930
Deferred acquisition costs	<b>2,244,430</b>	5,739,127
Premium and insurance balances receivable	<b>79,790,699</b>	74,447,075
Other receivables and prepayments	<b>12,489,128</b>	10,693,867
Statutory deposits	<b>8,000,000</b>	8,000,000
Deposits	<b>229,192,878</b>	238,139,549
Cash and cash equivalents	<b>15,686,353</b>	34,001,228
<b>Total assets</b>	<b>680,160,784</b>	734,948,474
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	<b>50,000,000</b>	50,000,000
Statutory reserve	<b>48,505,990</b>	46,606,797
Regular reserve	<b>43,711,390</b>	41,812,197
General reserve	<b>114,447,539</b>	114,447,539
Reinsurance reserve	<b>1,724,600</b>	845,871
Cumulative change in fair value of FVOCI investments	<b>(3,875,224)</b>	(5,588,386)
Retained earnings	<b>19,575,665</b>	21,109,659
<b>Total equity</b>	<b>274,089,960</b>	269,233,677
<b>Liabilities</b>		
Provision for employees' end of service indemnity	<b>2,530,701</b>	2,730,145
Accounts payable	<b>72,233,224</b>	70,482,897
Inter-division balance	<b>109,549,634</b>	122,794,303
	<b>184,313,559</b>	196,007,345
<b>Insurance liabilities</b>		
Insurance liabilities	<b>37,586,885</b>	37,153,879
Deferred commission income	<b>4,684,226</b>	4,704,962
	<b>42,271,111</b>	41,858,841

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**1. Segment information** (continued)

**1.3 Segment financial position for property and liability insurance** (continued)

	<b>2021</b>	2020
	<b>AED</b>	AED
<b>Insurance contract liabilities – Technical provisions</b>		
Unearned premium reserve	<b>67,709,511</b>	92,772,796
Claims under settlement reserve	<b>86,099,455</b>	117,518,050
Incurred but not reported reserve	<b>24,754,106</b>	16,385,818
Unallocated loss adjustment expense reserve	<b>853,718</b>	558,025
Unexpired risk reserve	<b>69,364</b>	613,922
	<hr/>	<hr/>
<b>Total insurance contract liabilities</b>	<b>179,486,154</b>	227,848,611
	<hr/>	<hr/>
<b>Total liabilities</b>	<b>406,070,824</b>	465,714,797
	<hr/>	<hr/>
<b>Total equity and liabilities</b>	<b>680,160,784</b>	734,948,474
	<hr/> <hr/>	<hr/> <hr/>

Notes to the financial statements  
For the year ended 31 December 2021 (continued)

1. Segment information (continued)

1.4 Segment profit or loss for property and liability insurance

	2021 AED	2020 AED
Gross premium	202,886,673	218,459,439
Reinsurance share of gross premium	(175,745,707)	(169,174,226)
<b>Net premium</b>	<b>27,140,966</b>	49,285,213
Net change in unearned premium/unexpired risk reserve	18,670,681	(10,610,854)
<b>Net premium earned</b>	<b>45,811,647</b>	38,674,359
Commissions received	14,607,139	14,943,172
Commissions paid	(5,598,464)	(10,090,149)
Movement in deferred acquisition cost and commission income – net	(3,473,963)	1,212,294
<b>Gross underwriting income</b>	<b>51,346,359</b>	44,739,676
Gross claims paid	(68,396,005)	(37,614,764)
Reinsurance share of insurance claims and loss adjustment expenses	41,452,310	18,113,623
<b>Net claims paid</b>	<b>(26,943,695)</b>	(19,501,141)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	(3,281,907)	(1,228,946)
<b>Net claims incurred</b>	<b>(30,225,602)</b>	(20,730,087)
<b>Net underwriting income</b>	<b>21,120,757</b>	24,009,589
Income from financial investments	10,867,673	13,411,397
Income from investments properties – net	3,745,776	892,877
Foreign currency exchange (loss)/gain	(55,833)	175,416
Other income	1,994,550	1,495,527
<b>Total investment and other income</b>	<b>16,552,166</b>	15,975,217
<b>Total income</b>	<b>37,672,923</b>	39,984,806
General and administrative expenses	(17,152,912)	(17,351,670)
Net provision and expected credit loss	(204,603)	(1,112,572)
Other operating expenses	(1,323,476)	(2,014,163)
<b>Total expenses</b>	<b>(18,680,991)</b>	(20,478,405)
<b>Profit for the year</b>	<b>18,991,932</b>	19,506,401

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**2. General information**

Alliance Insurance P.S.C. (the “Company”) is a Public Shareholding Company which was originally established in Dubai on 1 July 1975 as a limited liability company under the name of Credit and Commerce Insurance Company. The Company was subsequently incorporated in Dubai on 6 January 1982 as a limited liability company under an Emiri Decree. The Company was converted to a Public Shareholding Company (P.S.C.) in January 1995, in accordance with the UAE Federal Commercial Companies Law No. (8) of 1984 (as amended). The Company’s shares are listed on the Dubai Financial Market.

The licensed activities of the Company are issuing short term and long-term insurance contracts. The insurance contracts are issued in connection with property, motor, aviation and marine risks (collectively known as general insurance) and individual life (participating and non-participating), group life, personal accident, medical and investment linked products.

The registered address of the Company is Warba Centre, P.O. Box 5501, Dubai, United Arab Emirates.

Federal Law No. 32 of 2021 on Commercial Companies (the “New Companies Law”) was issued on 20 September 2021 and will come into effect on 2 January 2022, to entirely replace Federal Law No. 2 of 2015 on Commercial Companies, as amended (the “2015 Law”). The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

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

**3. Application of new and revised International Financial Reporting Standards (“IFRSs”)**

**3.1 New and revised IFRSs applied by the Company**

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

- *Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*— In the current year, the Company adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as ‘risk free rates’ or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Company has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.
- *COVID-19-Related Rent Concessions (Amendment to IFRS 16)* — In the current financial year, the Company has applied the amendment to IFRS 16 (as issued by the Board in May 2021) in advance of its effective date.



**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**3. Application of new and revised International Financial Reporting Standards (“IFRSs”)**  
(continued)

**3.2 New and revised IFRS standards and interpretations but not yet effective**

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective.

- IFRS 17 ‘*Insurance Contracts*’ establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.  
  
IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required.
- Amendments to IFRS 10 ‘*Consolidated Financial Statements*’ and IAS 28 ‘*Investments in Associates and Joint Ventures*’ (2011) deals with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. (effective date deferred indefinitely, early adoption permitted).
- IAS 1 ‘*Presentation of Financial Statements*’ – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023.
- Amendments relating IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning on or after 1 January 2022).
- IFRS 4 relating to amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.
- Amendments to IFRS 9 that clarifies that for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.
- Amendments regarding Disclosure of Accounting policies (IAS 1 and IFRS practice statement 2), amendments to IAS 8 ‘*Accounting Policies, Changes in Accounting Estimates and Errors*’—Definition of Accounting Estimates and Amendments to IAS 12 ‘*Income Taxes*’—Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023).

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company’s financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned below, may have no material impact on the financial statements of the Company in the period of initial application.

Management anticipates that IFRS 17 will be adopted in the Company’s financial statements for the annual period beginning 1 January 2023. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company’s financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

Management expects that majority of the short-term contracts issued by the Company will be eligible for the premium allocation approach, while for individual life contracts both the general measurement approach and the variable fee approach will be used as applicable.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies**

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

**4.1 Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and comply with applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organisation of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies (as amended), Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies and Insurance Authority' Board of Directors Decision No. (23) of 2019 Concerning Instructions Organizing Reinsurance Operations.

**4.2 Basis of preparation**

The financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments and investment properties as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

The principal accounting policies are set out below.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.3 Insurance contracts**

*4.3.1 Classification*

The Company issues contracts that transfer either insurance risk or both insurance and 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 happening of the insured event compared to its non-happening.

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

Contracts where insurance risk is not significant are classified as investment contracts. 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.

*4.3.2 Recognition and measurement*

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

*General insurance contracts*

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued. Premiums are recognized as revenue (earned premiums) proportionately over the period of coverage.

The earned portion of premium is recognised as an income and are shown in the profit or loss before deduction of commission. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

*Life assurance contracts*

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

In respect of long term life assurance contracts, premium are recognised as revenue (earned premiums) when they become payable by the contract holder. Premiums are shown before deduction of commission.

Premiums for life policies are recognised when it is paid by the contract holder.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.3 Insurance contracts (continued)**

*4.3.2 Recognition and measurement (continued)*

*Life assurance contracts (continued)*

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

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

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

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

*Unearned premium reserve*

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. UPR is calculated using the 1/365 method except for marine cargo and general accident.

The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation issued under UAE Federal Law No. 6 of 2007, and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract, the rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Company's actuary in the calculation for life reserve fund.

*Claims*

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

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 expense 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. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position based on actuarial estimate obtained from an independent actuary using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the regulations.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.3 Insurance contracts (continued)**

*4.3.2 Recognition and measurement (continued)*

*Unallocated loss adjustment expense reserve*

A provision for unallocated loss adjustment expenses (ULAE), which cannot be allocated to specific claims, is made at the reporting date based on actuarial estimates obtained from an independent actuary.

*Unexpired risk reserve/liability adequacy test*

Provision is made for unexpired risk arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting 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.

*Reinsurance*

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

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 on a regular basis. 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 profit or loss in the year in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis. Reinsurance assets or liabilities are derecognized when the contractual obligations/rights are extinguished or expire or when the contract is transferred to another party.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.3 Insurance contracts (continued)**

*4.3.2 Recognition and measurement (continued)*

*Deferred acquisition cost*

For general insurance contracts, the deferred acquisition cost asset represents the position of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unearned premium reserve.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred.

*Insurance receivables and payables*

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract liabilities or reinsurance assets.

*Mathematical reserve*

This reserve is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of this reserve are affected by charges or credits to income. Certain generated returns are accrued and provided for in this reserve.

*Unit linked liabilities*

For unit linked policies, liability is equal to the policy account values. The account value is the number of units times the bid price.

*Insurance contract liabilities and reinsurance assets*

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. Outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when it is expired, discharged or cancelled.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

*Salvage and subrogation reimbursements*

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.4 Revenue (other than insurance revenue)**

Revenue (other than insurance revenue) comprises the following:

*Fee and commission income*

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

*Dividend income*

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

*Interest income*

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

*Rental income*

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

**4.5 General and administrative expenses**

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross premiums. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

**4.6 Leasing**

*The Company as lessee*

For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed as the leases are for short term (defined as leases with a lease term of 12 months or less).

**4.7 Foreign currencies**

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.7 Foreign currencies (continued)**

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

Exchange differences are recognised in profit or loss in the year in which they arise.

**4.8 Employee benefits**

*Annual leave and leave passage*

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

*Provision for employees' end of service indemnity*

Provision is made for the full amount of end of service benefits due to non-UAE national employees in accordance with the U.A.E Labour Law and is based on current remuneration and their period of service at the end of the reporting period.

*Defined contribution plan*

UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to UAE Labour Law No. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to income statement.

**4.9 Property and equipment**

Land is not depreciated and is stated at cost.

Capital work in progress is stated at cost, less any identified impairment loss. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

Depreciation is charged so as to write off the cost of assets, other than capital work in progress and land, over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.



**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.9 Property and equipment (continued)**

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

The useful lives considered in the calculation of depreciation for the assets are 4 years except for building which has a useful life of 10 years.

**4.10 Investment properties**

Investment properties are properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognized in the statement of profit or loss.

The Company determines fair value on the basis of valuations provided by two independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

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

Transfers are made to/or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

**4.11 Impairment of tangible assets**

At the end of each reporting period, the Company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.11 Impairment of tangible assets (continued)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**4.12 Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

**4.13 Premium and insurance balances receivable**

Premium and insurance balances receivable are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss during that period when there is objective evidence of that the asset is impaired. Premium and insurance balances receivable are derecognised when the derecognition criteria for financial assets have been met.

**4.14 Insurance liabilities**

Insurance liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequently, insurance liabilities are measured at mortised cost, as deemed appropriate.

**4.15 Financial instruments**

The Company initially recognises insurance receivables and insurance payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.15 Financial instruments (continued)**

*Financial assets measured at amortised cost*

At inception, a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cashflows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets including cash and cash equivalents, deposits/statutory deposits, and investments at amortised cost are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

**Equity instruments at FVOCI**

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.15 Financial instruments (continued)**

**Debt instruments at amortised cost**

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

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

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Debt instruments that are subsequently measured at amortised cost are subject to impairment.

**Financial assets measured at fair value through profit or loss**

Financial assets at FVTPL are:

- (i) assets with contractual cash flows that are not SPPI; or/and
- (ii) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (iii) assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash in hand, balances with the banks and deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

***Classification as debt or equity***

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

***Equity instruments***

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.15 Financial instruments (continued)**

**Financial assets measured at fair value through profit or loss (continued)**

*Provision for expected credit loss*

The Company recognises a loss for expected credit losses on investments in debt instruments that are measured at amortised cost, deposits and bank balances. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL (expected credit losses) for other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Company utilises the general approach to calculate ECL against its deposits with banks and for its investments in debt securities which is dependent on the rating of the banks and bonds as determined by an external credit rating agency.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Company has adopted simplified approach in case of other receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.15 Financial instruments (continued)**

**Financial assets measured at fair value through profit or loss (continued)**

*Provision for expected credit loss (continued)*

Details of these statistical parameters/inputs are as follows:

PD - The probability of default is an estimate of the likelihood of default over a given time horizon.

LGD - The loss given default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

*Forward-looking information*

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

*Macroeconomic factors*

In its models, the Company relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, interest rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is irrecoverable. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.15 Financial instruments (continued)**

*Fair value of financial instruments*

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same A discounted cash flow analysis or other valuation models.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

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

*Financial liabilities*

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

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**4. Summary of significant accounting policies (continued)**

**4.16 De-recognition of financial instruments**

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Company derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

**4.17 Dividend distribution**

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

**4.18 Offsetting**

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

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

**5. Critical accounting judgements and key sources of estimation uncertainty**

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



**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

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

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

**5.1 Critical accounting judgements**

The following are the critical judgements, apart from those involving estimations (see 5.2 below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

*5.1.1 Classification of investments*

Management decides on acquisition of an investment whether it should be classified as FVOCI, or Investments at amortised cost.

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

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

*5.1.2 Classification of properties*

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

*5.1.3 Business model assessment*

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

*5.1.4 Insurance contract classification*

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

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

**5.1 Critical accounting judgements (continued)**

*5.1.4 Insurance contract classification (continued)*

There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

*5.1.5 Significant increase in credit risk*

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Company takes into account qualitative and quantitative reasonable and supportable forward looking information.

*5.1.6 Going concern*

Management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue a going concern. Therefore, the financial statements are prepared on a going concern basis.

**5.2 Key sources of estimation uncertainty**

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

*5.2.1 Individual life insurance*

The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions.

*5.2.2 Provision for outstanding claims, incurred or not*

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

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

**5.2 Key sources of estimation uncertainty (continued)**

*5.2.2 Provision for outstanding claims, incurred or not (continued)*

The Company has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Company determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2021. The Company will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

*5.2.3 Calculation of loss allowance*

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. Forward looking factor considered as the GDP of U.A.E.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

*5.2.4 Liability adequacy test*

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

*5.2.5 Valuation of investment properties*

The fair value of investment properties were determined by external independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. The independent valuers provide the fair value of the Company's investment properties portfolio annually.

*5.2.6 Depreciation of property and equipment*

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

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

**5.2 Key sources of estimation uncertainty (continued)**

*5.2.7 Impairment of Premium and insurance balances receivable*

The Company has adopted deferral approach on application of IFRS 9 on the IFRS 4 generated financial assets and therefore, ECL has not been applied to premium and insurance balances receivable and incurred loss model under IAS 39 has been applied. An estimate of the collectible amount of premium and insurance balances receivable is made when collection of the full amount is no longer probable. For individually significant amounts, the estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

The Company is exposed to disputes with, and possibility of defaults by, its reinsurers. The Company monitors on a quarterly basis the evolution of disputes with credit ratings and solvency strength of its reinsurers. Any significant credit risk increase could result in impairment of premium and insurance balances receivable.

**6. Property and equipment**

	Land AED	Building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Capital work-in progress AED	Total AED
<b>Cost</b>							
At 31 December 2019	2,470,555	1,691,577	4,598,226	4,462,999	634,238	180,000	14,037,595
Additions during the year	-	-	11,500	74,784	-	30,020	116,304
Transfers	-	60,000	-	60,000	-	(120,000)	-
At 31 December 2020	2,470,555	1,751,577	4,609,726	4,597,783	634,238	90,020	14,153,899
Additions during the year	-	-	21,575	26,795	-	310,694	359,064
Write off during the year	-	-	-	-	-	(90,020)	(90,020)
<b>At 31 December 2021</b>	<b>2,470,555</b>	<b>1,751,577</b>	<b>4,631,301</b>	<b>4,624,578</b>	<b>634,238</b>	<b>310,694</b>	<b>14,422,943</b>
<b>Accumulated depreciation</b>							
At 31 December 2019	-	680,772	4,363,165	3,404,258	497,990	-	8,946,185
Charge for the year	-	184,158	108,897	537,475	115,615	-	946,145
At 31 December 2020	-	864,930	4,472,062	3,941,733	613,605	-	9,892,330
Charge for the year	-	184,158	80,059	441,675	20,624	-	726,516
<b>At 31 December 2021</b>	<b>-</b>	<b>1,049,088</b>	<b>4,552,121</b>	<b>4,383,408</b>	<b>634,229</b>	<b>-</b>	<b>10,618,846</b>
<b>Carrying amount</b>							
<b>At 31 December 2021</b>	<b>2,470,555</b>	<b>702,489</b>	<b>79,180</b>	<b>241,170</b>	<b>9</b>	<b>310,694</b>	<b>3,804,097</b>
At 31 December 2020	2,470,555	886,647	137,664	656,050	20,633	90,020	4,261,569

As at 31 December 2021, the cost of fully depreciated property and equipment that was still in use amounted to AED 8,430,227 (2020: AED 6,970,805).

Property and equipment are located in U.A.E.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**7. Investment properties**

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance, at the beginning of the year	<b>200,440,000</b>	205,786,000
Change in fair value	<b>7,098,000</b>	(5,346,000)
	<hr/>	<hr/>
Balance, at the end of the year	<b>207,538,000</b>	200,440,000
	<hr/> <hr/>	<hr/> <hr/>

Investment properties comprises two commercial buildings in Dubai, United Arab Emirates.

The fair value of the Company's investment properties as at 31 December 2021 has been arrived at on the basis of valuations carried on the reporting date by independent valuers who are not related to the Company and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the net income capitalisation method, where the market rentals of all lettable units of the properties are assessed by reference to the rental achieved in the lettable units. The capitalisation rate adopted is determined by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The Company's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2021 (2020: Level 3).

The rental income and operating expenses relating to these properties are as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
Rental income (Note 24)	<b>14,618,645</b>	16,628,576
Maintenance expenses	<b>(5,123,887)</b>	(4,891,748)
	<hr/>	<hr/>
Net rental income	<b>9,494,758</b>	11,736,828
	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**8. Financial investments**

**8.1 Investments at amortised cost**

	<b>2021</b>	2020
	<b>AED</b>	AED
Quoted bonds	<b>334,709,806</b>	336,394,610
Provision for expected credit loss (Note 8.1.1)	<b>(1,631,832)</b>	(772,000)
	<b>333,077,974</b>	335,622,610
	<b>2021</b>	2020
	<b>AED</b>	AED
Inside UAE	<b>199,927,331</b>	201,205,117
Outside UAE	<b>133,150,643</b>	134,417,493
	<b>333,077,974</b>	335,622,610

The bonds carry interest at the rates of 4.75% to 7.50% (2020: 4.75% to 7.50%) per annum and interest is payable semi-annually/annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instrument life. The fair value of quoted bonds as at 31 December 2021 amounted to AED 344,811,625 (2020: AED 345,798,204).

8.1.1 Movements in provision for ECL are as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance at the beginning of the year	<b>772,000</b>	568,654
Charge during the year	<b>859,832</b>	203,346
	<b>1,631,832</b>	772,000

**8.2 Investments carried at FVOCI**

	<b>2021</b>	2020
	<b>AED</b>	AED
Quoted equity securities in UAE	<b>6,888,342</b>	5,175,180

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**8. Financial investments (continued)**

**8.3 Movements in financial investments**

The movements in investments at FVOCI and investments at amortised cost are as follows:

	<b>FVOCI</b> <b>AED</b>	<b>At</b> <b>amortised cost</b> <b>AED</b>	<b>Total</b> <b>AED</b>
At 31 December 2019	4,639,817	236,550,473	241,190,290
Purchases	-	101,081,228	101,081,228
Amortised	-	(1,805,745)	(1,805,745)
Changes in fair value	535,363	-	535,363
Provision for expected credit loss	-	(203,346)	(203,346)
	<hr/>	<hr/>	<hr/>
At 31 December 2020	5,175,180	335,622,610	340,797,790
Amortised	-	(1,684,804)	(1,684,804)
Changes in fair value	1,713,162	-	1,713,162
Provision for expected credit loss	-	(859,832)	(859,832)
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>6,888,342</b>	<b>333,077,974</b>	<b>339,966,316</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**9. Loans guaranteed by life insurance policies**

	<b>2021</b> <b>AED</b>	<b>2020</b> <b>AED</b>
Balance at beginning of the year	<b>48,458,780</b>	49,125,889
Loans sanctioned during the year	<b>24,752,267</b>	28,713,847
Repayment during the year	<b>(24,921,679)</b>	(26,590,030)
Unrealized interest on loans	<b>(2,745,518)</b>	(2,790,926)
	<hr/>	<hr/>
<b>Balance at end of the year</b>	<b>45,543,850</b>	48,458,780
	<hr/> <hr/>	<hr/> <hr/>

The interest on loans guaranteed by life insurance policies is 8% (2020: 8%).

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**10. Technical provisions**

	2021			2020		
	Insurance contract liabilities AED	Reinsurance contract assets AED	Net AED	Insurance contract liabilities AED	Reinsurance contract assets AED	Net AED
<b>Insurance of persons and fund accumulation operations</b>						
Unearned premium reserve	1,946,169	(1,215,685)	730,484	1,625,502	(950,555)	674,947
Claims under settlement reserve	2,532,654	(1,374,725)	1,157,929	2,240,882	(644,682)	1,596,200
Incurred but not reported reserve (“IBNR”)	792,327	(587,197)	205,130	1,236,511	(897,287)	339,224
Unallocated loss adjustment expense reserve (“ULAE”)	58,521	-	58,521	23,161	-	23,161
Unexpired risk reserve	119,715	-	119,715	277,064	-	277,064
Mathematical reserve (Note 10.2)	478,215,131	-	478,215,131	509,557,358	-	509,557,358
	<u>483,664,517</u>	<u>(3,177,607)</u>	<u>480,486,910</u>	<u>514,960,478</u>	<u>(2,492,524)</u>	<u>512,467,954</u>
<b>Property and liability insurance</b>						
Unearned premium reserve	67,709,511	(57,147,105)	10,562,406	92,772,796	(64,085,363)	28,687,433
Claims under settlement reserve	86,099,455	(80,370,950)	5,728,505	117,518,050	(113,304,283)	4,213,767
Incurred but not reported reserve (“IBNR”)	24,754,106	(19,641,070)	5,113,036	16,385,818	(12,744,258)	3,641,560
Unallocated loss adjustment expense reserve (“ULAE”)	853,718	-	853,718	558,025	-	558,025
Unexpired risk reserve	69,364	(66,122)	3,242	613,922	(65,026)	548,896
	<u>179,486,154</u>	<u>(157,225,247)</u>	<u>22,260,907</u>	<u>227,848,611</u>	<u>(190,198,930)</u>	<u>37,649,681</u>
<b>Total</b>						
Unearned premium reserve	69,655,680	(58,362,790)	11,292,890	94,398,298	(65,035,918)	29,362,380
Claims under settlement reserve	88,632,109	(81,745,675)	6,886,434	119,758,932	(113,948,965)	5,809,967
Incurred but not reported reserve (“IBNR”)	25,546,433	(20,228,267)	5,318,166	17,622,329	(13,641,545)	3,980,784
Unallocated loss adjustment expense reserve (“ULAE”)	912,239	-	912,239	581,186	-	581,186
Unexpired risk reserve	189,079	(66,122)	122,957	890,986	(65,026)	825,960
Mathematical reserve (Note 10.2)	478,215,131	-	478,215,131	509,557,358	-	509,557,358
	<u>663,150,671</u>	<u>(160,402,854)</u>	<u>502,747,817</u>	<u>742,809,089</u>	<u>(192,691,454)</u>	<u>550,117,635</u>



**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**10. Technical provisions (continued)**

**10.1 Summary of actuary's report on technical provisions**

	2021	2020		
	As per actuary AED	As per financial statements AED	As per actuary AED	As per financial statements AED
<b>Insurance contract liabilities - Technical provisions</b>				
Unearned premium reserve	69,655,680	69,655,680	94,398,298	94,398,298
Claims under settlement reserve	88,632,109	88,632,109	119,758,932	119,758,932
Incurred but not reported reserve ("IBNR")	25,546,433	25,546,433	17,622,329	17,622,329
Unallocated loss adjustment expense reserve ("ULAE")	912,239	912,239	581,186	581,186
Unexpired risk reserve	189,079	189,079	890,986	890,986
Mathematical reserve (Note 10.2)	478,215,131	478,215,131	509,557,358	509,557,358
<b>Total technical provisions – gross</b>	<b>663,150,671</b>	<b>663,150,671</b>	742,809,089	742,809,089
Unearned premium reserve	11,292,890	11,292,890	29,362,380	29,362,380
Claims under settlement reserve	6,886,434	6,886,434	5,809,967	5,809,967
Incurred but not reported reserve ("IBNR")	5,318,166	5,318,166	3,980,784	3,980,784
Unallocated loss adjustment expense reserve ("ULAE")	912,239	912,239	581,186	581,186
Unexpired risk reserve	122,957	122,957	825,960	825,960
Mathematical reserve (Note 10.2)	478,215,131	478,215,131	509,557,358	509,557,358
<b>Total technical provisions – net</b>	<b>502,747,817</b>	<b>502,747,817</b>	550,117,635	550,117,635

This note provides a summary of actuarial technical provisions calculated and certified by external actuary.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**10. Technical provisions (continued)**

**10.2 Mathematical reserve**

	<b>2021</b>	2020
	<b>AED</b>	AED
At January	<b>509,557,358</b>	550,230,308
Shortage of income over expenditure for the year in the long-term business	<b>(8,812,578)</b>	(17,533,111)
Surplus available	<b>(22,529,649)</b>	(23,139,839)
	<b>478,215,131</b>	509,557,358
	<b>(31,342,227)</b>	(40,672,950)

Mathematical reserve represents amounts set aside to meet the aggregate amount of the liabilities of the Company in relation to its long-term life business as at 31 December 2021.

Actuary determined the liability arising out of the actuarial valuation of individual life (life assurance fund) to be as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
Net liabilities under insurance policies	<b>377,177,894</b>	394,093,203
Provision for terminal bonus to policyholders	<b>101,037,237</b>	115,464,155
	<b>478,215,131</b>	509,557,358

**11. Deferred acquisition costs**

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance at the beginning of the year	<b>5,937,160</b>	3,050,501
Acquisition costs paid during the year	<b>7,710,404</b>	21,389,773
Amortisation charge for the year	<b>(11,243,865)</b>	(18,503,114)
	<b>2,403,699</b>	5,937,160

**12. Premium and insurance balances receivable**

	<b>2021</b>	2020
	<b>AED</b>	AED
Due from policyholders	<b>52,590,134</b>	47,102,097
Due from insurance or reinsurance companies	<b>4,730,505</b>	3,961,037
Due from brokers or agents	<b>26,857,160</b>	27,134,174
Less: Provision for impairment (Note 12.1)	<b>(3,486,567)</b>	(3,272,453)
	<b>80,691,232</b>	74,924,855

Notes to the financial statements  
For the year ended 31 December 2021 (continued)

12. Premium and insurance balances receivable (continued)

	2021 AED	2020 AED
<b>Inside UAE:</b>		
Due from policy holders	52,590,134	47,102,097
Due from insurance or reinsurance companies	2,214,276	1,843,751
Due from brokers or agents	26,857,160	27,134,174
Less: Provision for impairment (Note 12.1)	(3,486,567)	(3,272,453)
	<u>78,175,003</u>	<u>72,807,569</u>
	2021 AED	2020 AED
<b>Outside UAE:</b>		
Due from insurance or reinsurance companies	2,516,229	2,117,286
	<u>2,516,229</u>	<u>2,117,286</u>

12.1 Movement in the provision for impairment

Total provision for impairment at year end amounts to AED 3,486,567 (2020: AED 3,272,453) against premiums and insurance balances receivable.

The movement in the provision for impairment is as follows:

	2021 AED	2020 AED
Balance at beginning of the year	3,272,453	1,956,166
Provision during the year	221,096	1,383,952
Amounts written off as uncollectible during the year	(6,982)	(67,665)
<b>Balance at end of the year</b>	<u>3,486,567</u>	<u>3,272,453</u>

Notes to the financial statements  
For the year ended 31 December 2021 (continued)

12. Premium and insurance balances receivable (continued)

Ageing of receivables is as follows:

	Due from policyholders AED	Due from insurance or reinsurance companies AED	Due from brokers or agents AED
<b>Inside UAE:</b>			
Less than 30 days	7,149,045	405,448	7,303,848
31 – 90 days	10,538,349	473,830	9,247,254
91 – 180 days	19,672,634	112,664	5,501,011
181 – 270 days	4,121,355	476,058	943,806
271 – 360 days	2,128,177	96,694	2,546,959
More than 360 days	8,980,574	649,582	1,314,282
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>52,590,134</b>	<b>2,214,276</b>	<b>26,857,160</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	Due from policyholders AED	Due from insurance or reinsurance companies AED	Due from brokers or agents AED
<b>Outside UAE:</b>			
Less than 30 days	-	1,008,296	-
31 – 90 days	-	718,400	-
91 – 180 days	-	663,523	-
181 – 270 days	-	8,253	-
271 – 360 days	-	16,064	-
More than 360 days	-	101,693	-
	<hr/>	<hr/>	<hr/>
<b>At 31 December 2021</b>	<b>-</b>	<b>2,516,229</b>	<b>-</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**12. Premium and insurance balances receivable (continued)**

Ageing of receivables is as follows (continued):

	<b>Due from policyholders AED</b>	<b>Due from insurance or reinsurance companies AED</b>	<b>Due from brokers or agents AED</b>
<b>Inside UAE:</b>			
Less than 30 days	2,709,838	200,575	10,885,324
31 – 90 days	22,863,903	310,775	7,949,066
91 – 180 days	6,693,965	604,232	6,517,960
181 – 270 days	5,582,887	46,509	751,418
271 – 360 days	1,187,281	86,944	317,449
More than 360 days	8,064,223	594,716	712,957
	<hr/>	<hr/>	<hr/>
At 31 December 2020	47,102,097	1,843,751	27,134,174
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>Due from policyholders AED</b>	<b>Due from insurance or reinsurance companies AED</b>	<b>Due from brokers or agents AED</b>
<b>Outside UAE:</b>			
Less than 30 days	-	1,077,514	-
31 – 90 days	-	96,508	-
91 – 180 days	-	372,231	-
181 – 270 days	-	76,760	-
271 – 360 days	-	423,600	-
More than 360 days	-	70,673	-
	<hr/>	<hr/>	<hr/>
At 31 December 2020	-	2,117,286	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

No interest is charged on overdue balances and no collateral is taken on insurance receivables.

The Company has adopted a policy of dealing with creditworthy counterparties. Adequate credit assessment is made before accepting an insurance contract from any counterparty.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**13. Other receivables and prepayments**

	<b>2021</b>	2020
	<b>AED</b>	AED
Accrued interest from investments at amortised cost	<b>7,632,207</b>	7,632,207
Rent receivable from tenants	<b>6,362,750</b>	5,331,480
Prepayments	<b>1,955,764</b>	1,638,449
Receivable from employees	<b>338,019</b>	358,499
Refundable deposits	<b>166,255</b>	161,870
Others	<b>9,182,304</b>	7,943,770
Less: Expected credit loss	<b>(1,479,412)</b>	(1,479,412)
	<b>24,157,887</b>	21,586,863

**14. Statutory deposits**

As at 31 December 2021, deposit of AED 10,228,125 (2020: AED 10,000,000) has been placed with one of the Company's bankers, in accordance with Article 42 of UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of its Operations. This deposit has been pledged to the bank as security against a guarantee issued by the Bank in favor of the Central Bank of the United Arab Emirates ("CBUAE") for the same amount. This deposit cannot be withdrawn without prior approval of the Central Bank of the United Arab Emirates ("CBUAE") and bears an interest rate ranging from 3% to 3.5% per annum (2020: 3% to 3.5% per annum).

**15. Deposits**

	<b>2021</b>	2020
	<b>AED</b>	AED
Short term deposits with banks in UAE	<b>351,847,691</b>	432,877,150
Accrued interest on short term deposits	<b>1,488,617</b>	2,483,548
<b>Subtotal A (current portion)</b>	<b>353,336,308</b>	435,360,698
Long term deposits with banks in UAE	<b>61,600,000</b>	61,600,000
Accrued interest on long term deposits	<b>2,036,983</b>	2,274,983
<b>Subtotal B (non-current portion)</b>	<b>63,636,983</b>	63,874,983
Provision for expected credit loss (C) (Note 15.1)	<b>(320,238)</b>	(764,347)
<b>Grand total (A+B+C)</b>	<b>416,653,053</b>	498,471,334

Deposits comprise fixed deposits with original maturity term of 12 months and above with banks in UAE bearing annual interest at rates ranging from 0.45% to 5.25% (31 December 2020: 0.93% to 5.25%).

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**15. Deposits (continued)**

15.1 Movement in the provision for expected credit losses as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance at beginning of the year	<b>764,347</b>	465,916
(Reversal)/provision during the year	<b>(444,109)</b>	298,431
<b>Balance at end of the year</b>	<b>320,238</b>	764,347

**16. Cash and cash equivalents**

	<b>2021</b>	2020
	<b>AED</b>	AED
Cash on hand	<b>241,305</b>	844,894
Current accounts with banks	<b>82,645,491</b>	47,869,667
Provision for expected credit losses (Note 16.1)	<b>(73,827)</b>	(22,632)
	<b>82,812,969</b>	48,691,929

16.1 Movement in the provision for expected credit losses as follows:

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance at beginning of the year	<b>22,632</b>	53,600
Provision/(reversal) during the year	<b>51,195</b>	(30,968)
<b>Balance at end of the year</b>	<b>73,827</b>	22,632

**17. Share capital**

	<b>2021</b>	2020
	<b>AED</b>	AED
Authorised, issued and fully paid 1,000,000 shares of AED 100 each (31 December 2020: 1,000,000 shares of AED 100 each)	<b>100,000,000</b>	100,000,000

**18. Reserves**

**18.1 Statutory reserve**

In accordance with the Company's Articles of Association and Federal Law No. (2) of 2015 (as amended), a minimum of 10% of the Company's profit for the year should be transferred to a non-distributable statutory reserve. As per the Company's Articles of Association, such transfers are required until the balance on the statutory reserve equals 100% of the Company's paid-up share capital. Accordingly, AED 4,112,121 (2020: AED 4,214,021) was transferred to the statutory reserve on 31 December 2021.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**18. Reserves (continued)**

**18.2 Regular reserve**

In accordance with the Company's Articles of Association, at least 10% of the Company's profit must be transferred to regular reserve. Such transfers are required until the balance on this reserve equals 100% of the Company's paid-up share capital, or until the transfer is discontinued by resolution of the shareholders. Accordingly, AED 4,112,121 (2020: AED 4,214,021) was transferred to the regular reserve on 31 December 2021.

**18.3 General reserve**

The Board of Directors approved the transfer of AED nil in 2021 (2020: AED 5,000,000) to a general reserve which can be utilized for any purpose approved by the shareholders as per the Articles of Association of the Company.

**18.4 Reinsurance reserve**

In accordance with Article 34 issued by the Central Bank of the United Arab Emirates ("CBUAE"), Board of Directors Decision No. (23) of 2019 the Company has created a reinsurance reserve amounting to AED 900,805 in 2021 (2020: AED 869,651), being 0.5% of the total reinsurance premiums ceded by the Company in the United Arab Emirates in all classes of business. The Company shall accumulate such reserve year on year and not dispose off the reserve without the written approval of the Director General of the Central Bank of the United Arab Emirates ("CBUAE").

**19. Provision for employees' end of service indemnity**

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance at the beginning of the year	<b>4,984,443</b>	5,242,910
Charge for the year	<b>507,666</b>	472,489
Paid during the year	<b>(778,725)</b>	(730,956)
<b>Balance at the end of the year</b>	<b>4,713,384</b>	4,984,443

**20. Accounts payable**

	<b>2021</b>	2020
	<b>AED</b>	AED
Payables inside UAE	<b>13,198,618</b>	11,922,715
Payables outside UAE	<b>50,260,463</b>	51,844,991
Other payables (Note 20.1)	<b>19,378,119</b>	19,458,757
	<b>82,837,200</b>	83,226,463



Notes to the financial statements  
For the year ended 31 December 2021 (continued)

20. Accounts payable (continued)

	2021 AED	2020 AED
<b>Inside UAE:</b>		
Accounts payable to:		
Insurance companies	4,509,190	3,846,438
Insurance brokers	8,689,428	8,076,277
Other payables (Note 20.1)	19,378,119	19,458,757
	<u>32,576,737</u>	<u>31,381,472</u>
<b>Outside UAE:</b>		
Accounts payable to:		
Insurance companies	490,310	108,472
Reinsurance companies	49,770,153	51,736,519
	<u>50,260,463</u>	<u>51,844,991</u>

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

20.1 Other payables

	2021 AED	2020 AED
Provision for staff benefits	3,852,328	4,206,410
Rent received in advance	851,584	711,875
Accruals and provisions	904,186	856,021
Other payables	13,770,021	13,684,451
	<u>19,378,119</u>	<u>19,458,757</u>

21. Insurance liabilities

	2021 AED	2020 AED
Maturity payable	22,239,978	23,837,282
Bonus and surrenders payable	9,543,287	12,138,543
Claims payable	3,310,124	2,280,033
Other insurance payables	35,578,739	36,181,133
	<u>70,672,128</u>	<u>74,436,991</u>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**22. Deferred commission income**

	<b>2021</b>	2020
	<b>AED</b>	AED
Balance at the beginning of the year	<b>4,707,241</b>	3,156,043
Commission received during the year	<b>15,424,597</b>	17,407,571
Commission income earned during the year	<b>(15,445,943)</b>	(15,856,373)
	<hr/>	<hr/>
Balance at the end of the year	<b>4,685,895</b>	4,707,241
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**23. Income from financial investments**

	<b>2021</b>	2020
	<b>AED</b>	AED
Interest income from deposits	<b>11,621,597</b>	19,614,414
Interest income from investments at amortised cost	<b>18,972,742</b>	16,453,714
Interest income from loans guaranteed by life insurance policies	<b>2,997,655</b>	3,428,868
Dividend income from investments carried at FVOCI	<b>285,525</b>	356,907
	<hr/>	<hr/>
	<b>33,877,519</b>	39,853,903
	<hr/> <hr/>	<hr/> <hr/>

**24. Income from investment properties - net**

	<b>2021</b>	2020
	<b>AED</b>	AED
Rental income	<b>14,618,645</b>	16,628,576
Change in fair value of investment properties (Note 7)	<b>7,098,000</b>	(5,346,000)
Maintenance expenses	<b>(5,123,887)</b>	(4,891,748)
	<hr/>	<hr/>
	<b>16,592,758</b>	6,390,828
	<hr/> <hr/>	<hr/> <hr/>

**25. Other income**

	<b>2021</b>	2020
	<b>AED</b>	AED
Other income and administration income	<b>2,145,530</b>	1,581,655
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**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**26. General and administrative expenses**

	<b>2021</b>	2020
	<b>AED</b>	AED
Staff costs	<b>20,360,844</b>	20,252,625
Rent	<b>1,530,852</b>	1,602,661
Bank charges	<b>1,305,547</b>	1,379,054
Depreciation on property and equipment (Note 6)	<b>726,516</b>	946,145
Communication expenses	<b>365,934</b>	417,226
Travel and conveyance	<b>22,685</b>	22,551
Other expenses	<b>3,770,568</b>	4,261,000
	<b>28,082,946</b>	28,881,262

Other expenses include social contributions made during the year amounted to AED 150,000 (2020: AED 1,000,000).

**27. Basic and diluted earnings per share**

	<b>2021</b>	2020
Profit for the year (in AED)	<b>41,121,212</b>	42,140,206
Weighted average number of shares	<b>1,000,000</b>	1,000,000
Basic and diluted earnings per share (in AED)	<b>41.12</b>	42.14

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

**28. Related party transactions**

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

**28.1 At the end of the reporting period, amounts due from related parties are as follows:**

	<b>2021</b>	2020
	<b>AED</b>	AED
Due from related parties (Key Management personnel and entities under common control)	<b>1,264,268</b>	1,253,171

The above balances are included as part of premiums and insurance balances receivables.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**28. Related party transactions (continued)**

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

	<b>2021</b>	2020
	<b>AED</b>	AED
Premiums from related parties (Key Management personnel and entities under common control)	<b>4,585,846</b>	4,758,533
Claims to related parties (Key Management personnel and entities under common control)	<b>114,783</b>	763,142

Transactions are entered with related parties at rates agreed with management.

**28.3 Compensation of key management personnel**

	<b>2021</b>	2020
	<b>AED</b>	AED
Directors' remuneration	<b>1,115,883</b>	1,148,490
Short term benefits	<b>1,650,000</b>	1,950,000
<b>Total compensation paid to the key management personnel</b>	<b>2,765,883</b>	3,098,490

Pursuant to Article 169 of Federal Law No. 2 of 2015 (as amended) and in accordance with the Articles of Association of the Company, the Directors are entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

**29. Net premium earned**

	<b>2021</b>	2020
	<b>AED</b>	AED
<b>Gross premium</b>		
<i>Insurance of persons and fund accumulation operations:</i>		
Individual life	<b>96,789,840</b>	101,311,751
Group life	<b>4,370,647</b>	3,496,566
<b>Total</b>	<b>101,160,487</b>	104,808,317
<i>Property and liability insurance:</i>		
Medical	<b>32,150,824</b>	28,798,140
Fire	<b>13,578,278</b>	12,701,156
Motor	<b>14,609,769</b>	35,871,577
Marine	<b>4,513,469</b>	5,028,457
Miscellaneous	<b>138,034,333</b>	136,060,109
<b>Total</b>	<b>202,886,673</b>	218,459,439
<b>Total gross premium (a)</b>	<b>304,047,160</b>	323,267,756

Notes to the financial statements  
For the year ended 31 December 2021 (continued)

29. Net premium earned (continued)

	2021 AED	2020 AED
<b>Reinsurance share of gross premium</b>		
<i>Insurance of persons and fund accumulation operations:</i>		
Individual life	1,621,903	2,733,765
Group life	2,793,290	2,022,157
<b>Total</b>	<b>4,415,193</b>	<b>4,755,922</b>
 <i>Property and liability insurance:</i>		
Medical	19,404,359	15,670,519
Fire	13,065,244	12,104,270
Motor	1,860,480	1,659,193
Marine	4,457,625	5,035,578
Miscellaneous	136,957,999	134,704,666
	<b>175,745,707</b>	<b>169,174,226</b>
<b>Total reinsurance share of gross premium (b)</b>	<b>180,160,900</b>	<b>173,930,148</b>
<b>Change in unearned premium/unexpired risk reserves (c)</b>	<b>18,772,493</b>	<b>(11,183,621)</b>
<b>Total net premium earned (a-b+c)</b>	<b>142,658,753</b>	<b>138,153,987</b>

Notes to the financial statements  
For the year ended 31 December 2021 (continued)

30. Net claims paid

	2021 AED	2020 AED
<b>Gross claims paid</b>		
<i>Insurance of persons and fund accumulation operations:</i>		
Individual life	2,097,475	2,294,244
Group life	2,650,882	1,207,869
<b>Total</b>	<u>4,748,357</u>	<u>3,502,113</u>
 <i>Property and liability insurance:</i>		
Medical	31,746,735	17,403,079
Fire	722,727	2,364,717
Motor	17,689,162	14,782,623
Marine	3,906,995	663,579
Miscellaneous	14,330,386	2,400,766
<b>Total</b>	<u>68,396,005</u>	<u>37,614,764</u>
 <b>Total gross claims paid (a)</b>	<u>73,144,362</u>	<u>41,116,877</u>
 <b>Reinsurance share of insurance claims and loss adjustment expenses</b>		
<i>Insurance of persons and fund accumulation operations:</i>		
Individual life	155,889	460,860
Group life	1,944,372	943,321
<b>Total</b>	<u>2,100,261</u>	<u>1,404,181</u>
 <i>Property and liability insurance:</i>		
Medical	23,344,247	12,204,573
Fire	704,627	2,133,279
Motor	6,087	1,186,988
Marine	3,359,520	638,246
Miscellaneous	14,037,829	1,950,537
	<u>41,452,310</u>	<u>18,113,623</u>
 <b>Total reinsurance shares of insurance claims and loss adjustment expenses (b)</b>	<u>43,552,571</u>	<u>19,517,804</u>
 <b>Total net claims (a-b)</b>	<u>29,591,791</u>	<u>21,599,073</u>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**31. Contingent liabilities**

	<b>2021</b>	2020
	<b>AED</b>	AED
Letters of guarantee	<b>10,567,186</b>	10,853,330

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

**32. 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 influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

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 carrying 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.

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, as well as the use of reinsurance arrangements.

*32.1 Frequency and severity of claims*

The Company has the right not to renew individual policies, re-price the risk, impose deductibles and 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).

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.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**32. Insurance risk (continued)**

*32.1 Frequency and severity of claims (continued)*

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 limit of AED 250,000 for motor and AED 12,000 for medical class of business in any one policy. 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 a year 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.

*32.2 Sources of uncertainty in the estimation of future claim payments*

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. 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. 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. Apart from internal actuary, the Company has involved independent external actuarial valuer's as well. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing 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 reporting date.

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

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



**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**32. Insurance risk (continued)**

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

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

Type of risk	2021		2020	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Life insurance	4.69%	2.74%	3.34%	2.10%
Non-life insurance	33.71%	99.27%	17.22%	39.57%

There are no single insurance contract, or a small number of related contracts that might cause significant loss to the company in case of occurrence of such insured liability.

Below table shows the impact on profit of a change of 1% in the loss for both gross and net of reinsurance recoveries would be as follows:

Type of risk	2021		2020	
	Gross loss ratio AED	Net loss ratio AED	Gross loss ratio AED	Net loss ratio AED
Impact of an increase of 1% in loss ratio	(2,309,028)	(942,945)	(3,643,846)	(1,277,385)
Impact of a decrease of 1% in loss ratio	2,309,028	942,945	3,643,846	1,277,385

*32.3 Process used to decide on assumptions*

The risks associated with these 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 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 groups of accident years within the same class of business. The Company has an internal actuary and independent external actuaries are also involved in the valuation of technical reserves of the Company.

*32.4 Claims development process*

Claims development tables are disclosed in order to put the unpaid claims estimates included in the financial statements into a context, allowing comparison of the development claims provisions with those seen in previous years.

In effect, the table highlights the Company's ability to provide an estimate of the total value of claims. This table provides a review of current estimates of cumulative claims and demonstrates how the estimated claims have changed at subsequent reporting or accident year ends. The estimate is increased or decreased as losses are paid and more information becomes known about the frequency and severity of unpaid claims. Data in the table related to acquired businesses is included from the acquisition date onwards.

The Company believes that the estimates of total claims outstanding as of the end of 2021 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

## Notes to the financial statements

## For the year ended 31 December 2021 (continued)

## 32. Insurance risk (continued)

## 32.4 Claims development process (continued)

The table below illustrates development of the net outstanding and incurred but not reported claims at the end of each year together with cumulative payments subsequent to the year of accident:

	Prior years AED	2017 AED	2018 AED	2019 AED	2020 AED	2021 AED
At the end of each reporting year	-	18,647,402	23,802,251	26,859,096	23,158,971	<b>32,884,091</b>
One year later	-	19,970,601	20,495,050	33,019,324	20,355,676	-
Two years later	-	20,637,918	30,726,839	24,256,781	-	-
Three years later	-	20,773,823	30,091,839	-	-	-
Four years later	-	20,737,535	-	-	-	-
Prior years	44,317,117	-	-	-	-	-
Estimate of cumulative claims	<u>44,317,117</u>	<u>20,737,535</u>	<u>30,091,839</u>	<u>24,256,781</u>	<u>20,355,676</u>	<u><b>32,884,091</b></u>
Cumulative payments to date	(44,317,117)	(20,737,535)	(30,089,611)	(23,885,691)	(19,376,439)	<b>(23,395,105)</b>
Total reserves included in the balance sheet	<u>-</u>	<u>-</u>	<u>2,228</u>	<u>371,090</u>	<u>979,237</u>	<u><b>9,488,986</b></u>

The above table does not include cumulative claims for insurance of persons and fund accumulation operations.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**32. Insurance risk (continued)**

*32.5 Concentration of insurance risk*

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

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

*32.6 Sensitivity of underwriting profit*

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

- The Company has an overall risk retention level of 41% for the year ended 31 December 2021 (2020: 46%). This is mainly due to low retention levels in general accident, fire and engineering. However, for other lines of business, the Company is adequately covered by excess of loss reinsurance programs to guard against major financial impact.
- The Company has commission income of AED 15,439,522 in 2021 (2020: AED 15,856,373) predominantly from the reinsurance placement which remains a comfortable source of income.

Because of low risk retention of 41% during the year (2020: 46%) of the volume of the business and limited exposure in high retention areas such as motor, the Company is comfortable to maintain an overall net loss ratio of 23.89% (2020: 14.46%) and does not foresee any serious financial impact in the net underwriting profit.

*32.7 Coronavirus (COVID-19) outbreak and its impact on the Company*

With the recent and rapid development of the coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Certain countries including the United Arab Emirates (UAE) have adopted extraordinary and economically costly containment measures and have required companies to limit or even suspend normal business operations.

Management has considered the unique circumstances and the risk exposures of the Company that could have a material impact on the business operations and has concluded that the main impacts on the Company's profitability/liquidity position may arise from:

- recoverability of premium and insurance balances receivable,
- unavailability of personnel,
- reduction in gross premium due to non-renewal of policies,
- provision for outstanding claims and claims incurred but not reported,
- fair value measurement of financial instruments and investment properties held by the Company.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**32. Insurance risk (continued)**

*32.7 Coronavirus (COVID-19) outbreak and its impact on the Company (continued)*

The Company is required to assess adequacy of insurance contract liabilities at each reporting date. Due to exceptional circumstance and uncertain market conditions, the Company's actuary had special considerations on inputs and assumption for assessment of technical reserves with reference to assessment of company's exposure, insurance contract inclusion and exclusion clauses related to pandemic, potential irregular claim ratios, etc.

Substantial portfolio of the Company consists of investments that are carried at amortised cost which approximate their fair market value. The Company believes that the carrying value include the impact of Covid 19 and hence the investment portfolio is adjusted for the impact of Covid 19.

Based on the above consideration, management has concluded that there is no significant impact on the Company's profitability position as at reporting date.

Further, the Company has performed stress testing as required by the Central Bank of the United Arab Emirates ("CBUAE") approved by the Board of Directors, who are satisfied that the Company will continue to operate as a going concern. Accordingly, these financial statements have been prepared on a going concern basis. Management will continue to monitor the situation and, will take necessary and appropriate actions on a timely basis to respond to this unprecedented situation.

**33. Capital risk management**

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., Central Bank of the United Arab Emirates ("CBUAE") specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

As per Article (8) of Section (2) of financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirement of solvency margins.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**33. Capital risk management** (continued)

As at 31 December 2021, the Company had a solvency surplus of AED 309.6 million (2020: AED 243.2 million) as compared to the Minimum Capital requirements of AED 100 million (2020: AED 100 million).

	<b>2021</b>	2020
	<b>AED</b>	AED
Minimum Capital requirement (MCR)	100,000,000	100,000,000
Solvency Capital requirement (SCR)	143,753,744	136,740,415
Minimum Guarantee Fund (MGF)	47,917,915	45,580,138
Own Funds	-	-
Basic Own Funds	409,587,624	343,172,593
Ancillary Own Funds	-	-
MCR Solvency Margin Surplus	309,587,624	243,172,593
SCR Solvency Margin Surplus	265,833,881	206,432,178
MGF Solvency Margin Surplus	361,669,710	297,592,455

**34. Financial instruments**

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

**34.1 Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 4 to the financial statements.

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments (continued)**

**34.2 Classification of financial instruments**

The tables below sets out the Company's classification for each class of financial assets and liabilities and their carrying amount as at 31 December 2021:

	<b>FVOCI</b>	<b>Amortised</b>	<b>Total</b>
	<b>AED</b>	<b>cost</b>	<b>AED</b>
		<b>AED</b>	
<b>Financial assets</b>			
Investments at amortised cost (Note 8.1)	-	333,077,974	333,077,974
Investments carried at FVOCI (Note 8.2)	6,888,342	-	6,888,342
Reinsurance contract assets (Note 10)	-	160,402,854	160,402,854
Premium and insurance balance receivable (Note 12)	-	80,691,232	80,691,232
Other receivables and prepayments (excluding prepayments) (Note 13)	-	22,202,123	22,202,123
Loans guaranteed by life insurance policies (Note 9)	-	45,543,850	45,543,850
Statutory deposits (Note 14)	-	10,228,125	10,228,125
Deposits (Note 15)	-	416,653,053	416,653,053
Cash and cash equivalents (Note 16)	-	82,812,969	82,812,969
Total	<u>6,888,342</u>	<u>1,151,612,180</u>	<u>1,158,500,522</u>
<b>Financial liabilities</b>			
Insurance contract liabilities (Note 10)	-	663,150,671	663,150,671
Accounts payable (excluding rent received in advance) (Notes 20 and 20.1)	-	81,985,616	81,985,616
Insurance liabilities (Note 21)	-	70,672,128	70,672,128
Total	<u>-</u>	<u>815,808,415</u>	<u>815,808,415</u>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments (continued)**

**34.2 Classification of financial instruments (continued)**

The tables below sets out the Company's classification for each class of financial assets and liabilities and their carrying amount as at 31 December 2020:

	<b>FVOCI</b>	<b>Amortised</b>	<b>Total</b>
	<b>AED</b>	<b>cost</b>	<b>AED</b>
<b>Financial assets</b>		<b>AED</b>	<b>AED</b>
Investments at amortised cost (Note 8.1)	-	335,622,610	335,622,610
Investments carried at FVOCI (Note 8.2)	5,175,180	-	5,175,180
Reinsurance contract assets (Note 10)	-	192,691,454	192,691,454
Premium and insurance balance receivable (Note 12)	-	74,924,855	74,924,855
Other receivables and prepayments (excluding prepayments) (Note 13)	-	19,948,414	19,948,414
Loans guaranteed by life insurance policies (Note 9)	-	48,458,780	48,458,780
Statutory deposits (Note 14)	-	10,000,000	10,000,000
Deposits (Note 15)	-	498,471,334	498,471,334
Cash and cash equivalents (Note 16)	-	48,691,929	48,691,929
<b>Total</b>	<b>5,175,180</b>	<b>1,228,809,376</b>	<b>1,233,984,556</b>
<b>Financial liabilities</b>			
Insurance contract liabilities (Note 10)	-	742,809,089	742,809,089
Accounts payable (excluding rent received in advance) (Notes 20 and 20.1)	-	82,514,588	82,514,588
Insurance liabilities (Note 21)	-	74,436,991	74,436,991
<b>Total</b>	<b>-</b>	<b>899,760,668</b>	<b>899,760,668</b>

Management considers that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, except for the investments at amortised cost and disclosed in Note 8 of these financial statements.

**34.3 Fair value measurements**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments (continued)**

**34.4 Fair value of financial instruments carried at amortised cost**

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in Note 8 of these financial statements.

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

**34.4.1 Fair value measurements recognised in the statement of financial position**

The following table gives information about how the fair values of these financial assets are determined:

<b>Financial assets</b>	<b>Fair value as at 2021 AED</b>	<b>2020 AED</b>	<b>Fair value hierarchy</b>	<b>Valuation techniques and key inputs</b>	<b>Significant unobservable input</b>	<b>Relationship of unobservable inputs to fair value</b>
Quoted equity securities	<b>6,888,342</b>	5,175,180	Level 1	Quoted bid prices in an active market.	None.	NA

There were no transfers between each of level during the period. There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

**34.5 Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

**34.6 Foreign currency risk**

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

**34.7 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; and
- amounts due from insurance intermediaries;



**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments (continued)**

**34.7 Credit risk (continued)**

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

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

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

The following table provides an age analysis of premium and insurance balance receivables:

<b>31 December 2021</b>	<b>Neither past due nor impaired AED</b>	<b>3 to 6 months AED</b>	<b>7 to 9 months AED</b>	<b>10 to 12 months AED</b>	<b>More than 12 months AED</b>	<b>Total AED</b>
Gross carrying amount – insurance and reinsurance receivables	36,844,470	25,949,832	5,549,472	4,787,894	11,046,131	84,177,799
Provision for impairment (Note 12.1)	-	(6,656)	(22,769)	(424,281)	(3,032,861)	(3,486,567)
<b>Net</b>	<b>36,844,470</b>	<b>25,943,176</b>	<b>5,526,703</b>	<b>4,363,613</b>	<b>8,013,270</b>	<b>80,691,232</b>
<b>31 December 2020</b>	<b>Neither past due nor impaired AED</b>	<b>3 to 6 months AED</b>	<b>7 to 9 months AED</b>	<b>10 to 12 months AED</b>	<b>More than 12 months AED</b>	<b>Total AED</b>
Gross carrying amount – insurance and reinsurance receivables	46,093,503	14,188,388	6,457,574	2,015,274	9,442,569	78,197,308
Provision for impairment (Note 12.1)	-	(6,247)	(21,371)	(398,225)	(2,846,610)	(3,272,453)
<b>Net</b>	<b>46,093,503</b>	<b>14,182,141</b>	<b>6,436,203</b>	<b>1,617,049</b>	<b>6,595,959</b>	<b>74,924,855</b>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments** (continued)

**34.7 Credit risk** (continued)

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

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

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

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments (continued)**

**34.8 Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Less than 1 year AED	1 to 5 years AED	Over 5 years AED	No maturity date AED	Total AED
<b>31 December 2021</b>					
<b>Financial assets</b>					
Investments at amortised cost (Note 8.1)	-	283,862,766	49,215,208	-	333,077,974
Investments earned at FVOCI (Note 8.2)	-	-	-	6,888,342	6,888,342
Reinsurance contract assets (Note 10)	160,116,125	286,729	-	-	160,402,854
Premium and insurance balance receivables (Note 12)	80,691,232	-	-	-	80,691,232
Other receivables and prepayments (excluding prepayments) (Note 13)	22,202,123	-	-	-	22,202,123
Loans guaranteed by life insurance policies (Note 9)	-	45,543,850	-	-	45,543,850
Deposits (Note 15)	353,064,944	63,588,109	-	-	416,653,053
Statutory deposits (Note 14)	-	-	-	10,228,125	10,228,125
Cash and cash equivalents (Note 16)	82,812,969	-	-	-	82,812,969
	<u>698,887,393</u>	<u>393,281,454</u>	<u>49,215,208</u>	<u>17,116,467</u>	<u>1,158,500,522</u>
<b>Financial liabilities</b>					
Insurance contract liabilities (Note 10)	183,870,960	1,064,580	-	478,215,131	663,150,671
Accounts payable (excluding rent received in advance and premium received in advance) (Notes 20 and 20.1)	81,985,616	-	-	-	81,985,616
Insurance liabilities (Note 21)	70,672,128	-	-	-	70,672,128
	<u>336,528,704</u>	<u>1,064,580</u>	<u>-</u>	<u>478,215,131</u>	<u>815,808,415</u>

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments (continued)**

**34.8 Liquidity risk (continued)**

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than 1 year AED	1 to 5 years AED	Over 5 years AED	No maturity date AED	Total AED
31 December 2020					
Financial assets					
Investments at amortised cost (Note 8.1)	-	295,101,546	40,521,064	-	335,622,610
Investments earned at FVOCI (Note 8.2)	-	-	-	5,175,180	5,175,180
Reinsurance contract assets (Note 10)	192,374,743	316,711	-	-	192,691,454
Premium and insurance balance receivables (Note 12)	74,924,855	-	-	-	74,924,855
Other receivables and prepayments (excluding prepayments) (Note 13)	19,948,414	-	-	-	19,948,414
Loans guaranteed by life insurance policies (Note 9)	-	48,458,780	-	-	48,458,780
Deposits (Note 15)	435,360,698	63,110,636	-	-	498,471,334
Statutory deposits (Note 14)	-	-	-	10,000,000	10,000,000
Cash and cash equivalents (Note 16)	48,691,929	-	-	-	48,691,929
	<u>771,300,639</u>	<u>406,987,673</u>	<u>40,521,064</u>	<u>15,175,180</u>	<u>1,233,984,556</u>
Financial liabilities					
Insurance contract liabilities (Note 10)	231,462,811	1,788,920	-	509,557,358	742,809,089
Accounts payable (excluding rent received in advance and premium received in advance) (Notes 20 and 20.1)	82,514,588	-	-	-	82,514,588
Insurance liabilities (Note 21)	74,436,991	-	-	-	74,436,991
	<u>388,414,390</u>	<u>1,788,920</u>	<u>-</u>	<u>509,557,358</u>	<u>899,760,668</u>

The Company's exposure to interest rate risk relates to its bank deposits and debt instruments. At 31 December 2021, deposits carried interest at the range of 0.45% to 5.25% per annum (2020: 0.93% to 5.25% per annum). At 31 December 2021, debt instruments carried interest at the range of 4.75% to 7.50% per annum (2020: 4.75% to 7.50% per annum)

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2021 and equity as at 31 December 2021 would increase/decrease by approximately AED 4,027,515 (2020: AED 4,462,764). The Company's sensitivity to interest rates has not changed significantly from the prior year.

**34.9 Equity price risk**

**34.9.1 Sensitivity analysis**

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Company's:

- Other comprehensive income and equity would have increased/decreased by AED 688,834 (2020: AED 517,517).

**Notes to the financial statements**  
**For the year ended 31 December 2021 (continued)**

**34. Financial instruments** (continued)

**34.9 Equity price risk** (continued)

*34.9.2 Method and assumptions for sensitivity analysis*

- The sensitivity analysis has been done based on the exposure to equity price risk at the reporting date.
- At the end of the reporting period, if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.

A 10% change in equity prices has been used to give a realistic assessment as a plausible event. Company does not have any impact on profit or loss due to sensitivity of equity prices.

**35. Dividend**

At the Annual General Meeting held on 12 April 2021, the Shareholders approved a cash dividend of AED 30 million at AED 30 per share for 2020 (2020: AED 30 million at AED 30 per share for 2019).

The Board of Directors propose that a dividend of AED 30 per share amounting to AED 30 million be paid to shareholders for 2021 which is subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

**36. Approval of the financial statements**

The financial statements were approved by the Board of Directors and authorized for issue on 8 March 2022.