DUBAI NATIONAL INSURANCE & REINSURANCE Co. (P.S.C.)
DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2021

Dubai National Insurance & Reinsurance PSC (DNIR)
Board of Directors' Statement
For the year ended 31st December 2021

On behalf of the Board of Directors, I would like to present our 30th Financial Results together with the Audited Financial Statements for the year ended 31st December 2021.

I am delighted to announce that DNIR has reported throughout the year 2021 strong underwriting results and profitability. DNIR demonstrated robust results with a full-year net profit of AED 56.4 million, a 2.4% increase compared to the previous year. DNIR positive results reflect the successful delivery of the company's strategy.

DNIR Board of Directors, as well as the management team, remain committed to driving standards of excellence and delivering increasing returns to the shareholder. Our priority is to ensure that DNIR is positioned amongst the regional market leaders by leveraging on our innovative capabilities and differentiated offering.

Cash Balances
The cash balances stood at AED 137.7 million as at 31st December 2021, compared to AED 97.9 million as at 31st December 2020

Investments
Total investments including cash and bank balances, Investments in Equity and Debt instruments and investment properties increased by 30.2 % to AED 777.5 million as at 31st December 2021, compared to AED 597 million as at 31st December 2020.

Total Assets
The total assets increased by 15.6 % to AED 1,075.7 million as at 31st December 2021, compared to AED 930.9 million as at 31st December 2020.

Shareholders' Equity
The Shareholders' Equity position increased by 34% to AED 679.3 million as at 31st December 2021, compared to AED 506.9 million as at 31st December 2020.

Basic and Diluted Earnings Per Share and Net Profit
Basic and diluted earnings per share increased by 2.1% to AED 0.49 as a result of achieving a net profit of AED 56.4 million for the year 2021 compared to basic and diluted earnings per share of AED 0.48 resulting from a net profit of AED 55.0 million last year

Despite the pandemic challenges, we can be proud of what we have achieved in 2021. Our bench strength remains strong, as demonstrated by consistent and stable underwriting results and strong operating performance. We acknowledge the gratitude, support and guidance received from our UAE's leadership.

We head into 2022 with renewed optimism and a focus on continuity and progress as we expect market conditions to improve. I am fully confident in our ability to continue building on our expertise to deliver value for the community and our stakeholders over the coming years by supporting the country's long-term growth.

Khalaf Ahmad Al Habtoor
Chairman of the Board

ص. ب: ١٨٠٦، دبي، الامارات العربية المتحدة | هاتف : ٢٩٥٦٧٠٠ ٤ ٩٧١+ | فاكس : ٢٩٥٦٧١١ ٤ ٩٧١+
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سجلت في سجل شركات التأمين طبقا للقانون الاتحادي رقم (٦) لسنة ٢٠٠٧، شهادة قيد رقم ٦٤ بتاريخ ٦ يناير ١٩٩٢
Registered in the Insurance Companies Register Under Federal Law No. (6) of 2007, Certificate No. 64 Dated 6th January 1992

Dubai National Insurance & Reinsurance PSC (DNIR)
Chief Executive Officer's Statement
For the year ended 31st December 2021

I hereby present DNIR Financial Results for the year ended 31st December 2021.

In a year marked by continuing uncertainty due to the COVID-19 pandemic, DNIR was able to deliver a resilient performance with a net profit of AED 56.4 million. Despite the adverse circumstances, DNIR quickly adjusted to a rapidly changing environment.

With the realignment of our vision from customer-support to customer-delight, DNIR has left no stone unturned to accelerate the execution of its automation and digitalization plans to ensure uninterrupted services to the customers. This secure remote access has been especially crucial during the pandemic.

As the omicron wave passes us with little or no disruption thanks to the steps taken by the esteemed leaders of our country, and as the Expo 2020 gives a fillip to our economy, we will also continue to take the necessary measures to maximize shareholder value, as well as support our employees and customers. Further, we will continue to contribute to the betterment of society and the community.

Key Financial Highlights

Gross Written Premiums
For the year 2021, DNIR's Gross Written Premium were marginally lower at AED 301.2 million, compared to AED 317.2 million for the same period in 2020, in view of the stiff challenges imposed by the pandemic.

Premium Retention
The overall premium retention ratio was 36.0 % for the year 2021 compared to 33.3 % for the same period in 2020.

Net Underwriting Income
For the year 2021, DNIR Net Underwriting Income increased by 4.5% to AED 56.0 million, against AED 53.6 million for the same period in 2020.

General and Administrative Expenses
General and Administrative Expenses for the year 2021 stood at AED 26.0 million, almost the same level as the figure of AED 25.7 million for the same period in 2020.

Net Profit
Net Profit increased by 2.4% to AED 56.4 million for the year 2021, against AED 55.0 million for the same period in 2020.

AM Best in its report in December 2021, has affirmed the Financial Strength Rating of B++ (Good) and the Long-Term Issuer Credit Rating (Long-Term ICR) of "bbb+" (Good) for the company. The outlook of these Credit Ratings is positive and AM Best stated in their report: "Following a change in management in early 2021, DNI has engaged in broadening its distribution platforms and entered strategic partnerships to source underwriting growth."

Also it's important to highlight that we have been awarded Participating Insurer (PI) license by Dubai Health Insurance Corporation (DHIC) and now will be servicing more extensive customer base by offering the Essential Benefits Plan (EBP).

Appreciation

I am proud of what we were able to achieve in such difficult conditions thanks to the dedicated efforts of our employees and their customer-centric approach. We will continually optimize our business and keep coming out with innovative products and services to meet the changing needs of our customers over the next years.

I would like to thank DNIRC's Chairman, Board of Directors and shareholders for their continued support, our clients and business partners for their trust in our company and our management team and employees for their diligent efforts.

Abdulla Al Nuaimi
Chief Executive Officer

Grant Thornton Audit
and Accounting Limited
(Dubai Branch)

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dubai National Insurance & Reinsurance Co. (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 the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Other matter

The financial statements for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 11 February 2021.

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Independent Auditor's Report (continued)

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premium reserve, outstanding claims reserve, incurred but not reported reserve, unallocated loss adjustment expense reserve and unexpired risk reserve as disclosed in note 11 to these financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs, mortality and persistency (including consideration of policyholder behaviour). Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

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

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

ii) Valuation of unquoted investments

Company has applied valuation techniques to determine the fair value of financial instruments that are not quoted in active markets. These valuation techniques, particularly those requiring significant unobservable inputs, usually involve subjective judgement and assumptions. As at 31 December 2021, financial instruments measured at fair value through other comprehensive income (FVTOCI) of the Company included AED 50 million, as disclosed in note 7. These require significant unobservable inputs in estimating fair value, and hence categorised within level 3 of the fair value hierarchy. Due to the significance of financial instruments measured at FVTOCI, and the uncertainty in valuation involving significant judgement, valuation of these financial instruments is considered a key audit matter.

Our audit procedures, among others, included:

- For the more judgemental valuations, which depend on unobservable inputs, we evaluated the assumptions, methodologies and models used by the Company;
- Evaluated the competence, objectivity and independence of the management appointed valuer;
- Analysed process followed by the management in relation to the latest financial information available; and
- Evaluated the valuation techniques, inputs and assumptions through comparison with the valuation techniques commonly used in the similar industry.

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Independent Auditor's Report (continued)

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Directors' Statement* and *Chief Executive Officer's Statement*, but does not include the financial statements and our auditor's report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) and 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.

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Independent Auditor's Report(continued)

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

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

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

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

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Independent Auditor's Report (continued)

To the Shareholders of Dubai National Insurance & Reinsurance Co. (P.S.C.) (continued)

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. (2) of 2015 (as amended), we report that:

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

ii) The financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. (2) of 2015 (as amended);

iii) The Company has maintained proper books of account;

iv) The financial information included in the Directors' Statement, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) Note 7 to the financial statements discloses purchase of marketable securities by the Company during the year ended 31 December 2021;

vi) Note 10 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2021 any of the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No.(2) of 2015 (as amended) or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2021.

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Grant Thornton P.O. Box: 1620 DUBAI-U.A.E. Public Accountants

GRANT THORNTON

Farouk Mohamed
Registered Auditor Number: 86
Dubai – 14 February 2022

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of financial position
As at 31 December 2021

	Notes	2021 AED'000	2020 AED'000
ASSETS			
Statutory deposits	4	**10,000**	10,000
Property and equipment	5	**473**	582
Investment properties	6	**70,356**	72,203
Financial assets at fair value through other comprehensive income	7	**569,470**	426,882
Insurance receivables	8	**66,080**	70,371
Other receivables	9	**26,677**	24,231
Amounts due from related parties	10	**21,657**	31,256
Reinsurance contract assets	11	**173,351**	197,462
Cash and bank balances	12	**137,709**	97,945
TOTAL ASSETS		**1,075,773**	930,932
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**115,500**	115,500
Legal reserve	14	**57,750**	57,750
General reserve	15	**180,000**	180,000
Reinsurance reserve	16	**2,023**	1,059
Fair value reserve on financial assets at fair value through other comprehensive income		**220,505**	77,917
Retained earnings		**103,509**	74,662
TOTAL EQUITY		**679,287**	506,888
LIABILITIES			
Employees' end of service benefits	17	**4,091**	7,092
Insurance contract liabilities	11	**274,833**	303,723
Insurance payables	18	**68,734**	65,148
Other payables	19	**45,690**	43,789
Amounts due to related parties	10	**3,138**	4,292
TOTAL LIABILITIES		**396,486**	424,044
TOTAL EQUITY AND LIABILITIES		**1,075,773**	930,932

These financial statements were approved by the Board of Directors on 14 February 2022 and signed on their behalf by:

Khalaf Ahmad Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

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

Dubai National Insurance & Reinsurance Co. (P.S.C.)

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

	Notes	2021 AED'000	2020 AED'000
Gross premiums		**301,239**	317,271
Reinsurance share of premiums		**(192,789)**	(211,712)
Net premiums		**108,450**	105,559
Net transfer (to) / from unearned premium reserve	11 (a)	**(7,085)**	12,158
Net premiums earned		**101,365**	117,717
Commission earned		**20,477**	18,045
Commission paid		**(32,090)**	(41,464)
Others		**3,138**	2,989
Gross underwriting income		**92,890**	97,287
Gross claims paid		**185,415**	316,408
Reinsurance share		**(136,646)**	(278,979)
Net claims paid		**48,769**	37,429
Provision for outstanding claims and technical provisions		**(30,211)**	(994)
Reinsurance share of outstanding claims and technical provisions		**18,347**	7,262
Net claims incurred		**36,905**	43,697
Net underwriting income		**55,985**	53,590
Income from investments – net	20	**22,733**	22,677
Income from investment properties – net	21	**3,476**	4,512
Other income		**164**	-
Gross income		**82,358**	80,779
General and administrative expenses	22	**(25,954)**	(25,706)
Net profit for the year		**56,404**	55,073
		AED	AED
Earnings per share:			
Basic and diluted	23	**0.49**	0.48

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

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of comprehensive income
For the year ended 31 December 2021

	2021	2020
	AED'000	AED'000
Net profit for the year	**56,404**	55,073
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised gain / (loss) on financial assets at fair value through other comprehensive income	**142,588**	(79,940)
Net realised gain on financial assets at fair value through other comprehensive income	**13,601**	8,138
Total comprehensive income / (loss) for the year	**212,593**	(16,729)

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

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

	Share capital AED'000	Legal reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Fair value reserve on financial assets at FVTOCI AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at 1 January 2020	115,500	57,750	180,000	-	157,857	58,336	569,443
Dividend	-	-	-	-	-	(40,425)	(40,425)
Directors' remuneration (note 19)	-	-	-	-	-	(5,401)	(5,401)
Transactions with owners	-	-	-	-	-	(45,826)	(45,826)
Net profit for the year	-	-	-	-	-	55,073	55,073
Transfer to reinsurance reserve	-	-		1,059	-	(1,059)	-
Transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	(8,138)	8,138	-
Net unrealised loss on financial asset at fair value through other comprehensive income	-	-	-	-	(79,940)	-	(79,940)
Net realised gain on financial assets at fair value through other comprehensive income					8,138	-	8,138
Total comprehensive loss for the year	-	-	-	1,059	(79,940)	62,152	(16,729)
Balance as at 31 December 2020	115,500	57,750	180,000	1,059	77,917	74,662	506,888
Dividend (note 25)	-	-	-	-	-	**(34,650)**	**(34,650)**
Directors' remuneration (note 19)	-	-	-	-	-	**(5,544)**	**(5,544)**
Transactions with owners	-	-	-	-	-	**(40,194)**	**(40,194)**
Net profit for the year	-	-	-	-	-	**56,404**	**56,404**
Transfer to reinsurance reserve	-	-	-	**964**	-	**(964)**	-
Transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	**(13,601)**	**13,601**	-
Net unrealised gain on financial asset at fair value through other comprehensive income	-	-	-	-	**142,588**	-	**142,588**
Net realised gain on financial assets at fair value through other comprehensive income	-	-	-	-	**13,601**	-	**13,601**
Total comprehensive income for the year	-	-	-	**964**	**142,588**	**69,041**	**212,593**
Balance as at 31 December 2021	**115,500**	**57,750**	**180,000**	**2,023**	**220,505**	**103,509**	**679,287**

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

Dubai National Insurance & Reinsurance Co. (P.S.C.)

Statement of cash flows
For the year ended 31 December 2021

	Notes	2021 AED'000	2020 AED'000
Cash flows from operating activities			
Net profit for the year		**56,404**	55,073
Adjustments for:			
Depreciation on property and equipment	5	**286**	325
Depreciation on investment property	6	**1,847**	1,849
Gain on disposal of property and equipment		**(164)**	-
Provision for employees' end of service benefits	17	**339**	844
Income from investments – net	20	**(22,733)**	(22,677)
Income from investment properties - gross		**(5,323)**	(6,361)
Operating cash flows before changes in working capital		**30,656**	29,053
Changes in working capital:			
Insurance receivables		**4,291**	26,617
Other receivables		**(2,446)**	4,960
Reinsurance contract assets		**24,111**	32,342
Insurance contract liabilities		**(28,890)**	(38,234)
Insurance payables		**3,586**	(50,500)
Other payables		**(3,643)**	(7,742)
Due from related parties		**9,599**	(7,786)
Due to related parties		**(1,154)**	3,349
Cash generated from / (used in) operations		**36,110**	(7,941)
Employees' end of service benefits paid	17	**(3,340)**	(231)
Net cash generated from / (used in) operating activities		**32,770**	(8,172)
Cash flows from investing activities			
Purchase of property and equipment	5	**(256)**	(343)
Proceeds from disposals of property and equipment		**243**	-
Purchase of financial assets at fair value through other comprehensive income	7	**-**	(58,893)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**13,601**	62,809
Net movement in fixed deposits		**(44,841)**	(5,149)
Income from investments – net	20	**22,733**	22,677
Income from investment property		**5,323**	6,361
Net cash (used in) / generated from investing activities		**(3,197)**	27,462
Cash flows from financing activity			
Dividend paid	25	**(34,650)**	(40,425)
Net cash used in financing activity		**(34,650)**	(40,425)
Net change in cash and cash equivalents		**(5,077)**	(21,135)
Cash and cash equivalents at beginning of the year		**62,169**	83,304
Cash and cash equivalents at end of the year	12	**57,092**	62,169

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

1 Legal status and activities

Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on 6 January 1992.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations relating to insurance companies and insurance agents.

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

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

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

The registered address of the Company is at Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O Box 1806, Dubai, U.A.E.

2 Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of U.A.E Federal Law No. 2 of 2015 (as amended) relating to commercial companies, and of UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations, concerning insurance companies and agents. These financial statements are prepared in UAE Dirhams ("AED") being the economic, functional and reporting currency, rounded to the nearest thousand.

2.1 Standards, interpretations and amendments effective from 1 January 2021

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

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

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

2.2 Standards issued but not yet effective

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

2 Statement of compliance with IFRS (continued)

2.2 Standards issued but not yet effective (continued)

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

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

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

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;
- recognises and measures groups of insurance contracts at:
    i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
    ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

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

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRSs for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

3 Summary of significant accounting policies (continued)

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

3.3 Investment property

Investment property is initially recognised at cost and subsequently accounted for using the cost model. The cost model requires investment property to be stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the investment property which has been estimated to be 40 years.

No depreciation is charged on freehold land.

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

Fair value of investment property is determined by independent surveyors as per the regulatory requirements and disclosure purposes.

3.4 Revenue recognition

Gross premiums

Gross premiums and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

Commission on reinsurance

The Company initially defers commission earned, excluding profit commission and recognise it as income over the policy period. Profit commission is recognised at the time of settlement.

Interest income

Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes receivable.

Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Dividend income

Dividend income is recognised when the right to receive payment is established.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and shown as assets in the statement of financial position.

3.6 Provision for IBNR

Provision for Incurred But Not Reported ("IBNR") claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

3.7 Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

3.8 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

3.9 Unearned premium reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates to the period of insurance subsequent to the statement of financial position date and is mainly computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Central Bank of UAE.

3.10 Unexpired risk reserves

Unexpired Risk Reserve (URR) represents the difference between unearned premium provision and the expected value of claims, expenses attributable to unexpired periods of policies in force at the reporting date based on actuarial estimates obtained from an independent actuary in accordance with finance regulations for the insurance companies issued by the Central Bank of UAE.

3 Summary of significant accounting policies (continued)

3.11 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods in which the premiums for the related direct insurance are recorded and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

3.12 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are 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 the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.13 Financial instruments

a) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

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

Investments in equity and debt securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity and debt investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

b) Classification and subsequent measurement of financial assets (continued)

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

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to statement of profit or loss, but is reclassified to retained earnings.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d) Impairment and uncollectability of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Company has not recognised any impairment loss against equity instruments.
The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

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 reporting date.

Measurement of ECL

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

d) Impairment and uncollectability of financial assets (continued)

Measurement of ECL (continued)

- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

e) Offsetting financial instruments

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

3.14 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from insurance brokers, re-insurers and insurance contract holders.

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the statement of profit or loss.

3.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

3.16 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3 Summary of significant accounting policies (continued)

3.17 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the statement of profit or loss. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its' carrying amount.

3.18 Short term operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

3.19 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

3.20 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3 Summary of significant accounting policies (continued)

3.21 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR, ULAE, UPR and URR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims, UPR and URR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the statement of profit or loss. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events. Over and above the actuarial reserves, management quantifies additional technical provisions based on management's best estimate of claims incurred.

Classification of investment property and related fair value judgement

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner-occupied property is not significant and is classified accordingly as investment property.

Fair value of investment property is estimated by two independent professional valuers accredited with the Royal Institution of Chartered Surveyors for disclosure purposes only, considering the rental yield (income approach) and sales comparison approach. This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management's expert based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Further information on using the estimates is mentioned in note 7.

Rights and obligations of the investments

Quoted and unquoted equity investments are in the name of the Chairman, however, are controlled by the Company. These investments are held for the beneficial interest of the Company. Management addresses the significant judgement over the rights and obligations by obtaining direct confirmation from the Chairman and receiving all risk and economic rewards associated with these investments.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables. For non-insurance receivables the recoverability is assessed, and provisions are created in compliance with the simplified approach under the IFRS 9 methodology.

4 Statutory deposits

	2021 AED'000	2020 AED'000
Held with a local bank in Dubai, UAE	10,000	10,000

Statutory deposits held with a local bank in Dubai, UAE represent deposit held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organisation of its Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy.

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
2021				
Cost				
At 1 January 2021	1,598	723	3,949	6,270
Additions	22	119	115	256
Disposal during the year	(115)	(340)	-	(455)
At 31 December 2021	1,505	502	4,064	6,071
Accumulated depreciation				
At 1 January 2021	1,492	545	3,651	5,688
Charge for the year	40	96	150	286
Disposal during the year	(107)	(269)	-	(376)
At 31 December 2021	1,425	372	3,801	5,598
Net book value				
At 31 December 2021	80	130	263	473
2020				
Cost				
At 1 January 2020	1,484	723	3,724	5,931
Additions	118	-	225	343
Disposal during the year	(4)	-	-	(4)
At 31 December 2020	1,598	723	3,949	6,270
Accumulated depreciation				
At 1 January 2020	1,452	405	3,510	5,367
Charge for the year	44	140	141	325
Disposal during the year	(4)	-	-	(4)
At 31 December 2020	1,492	545	3,651	5,688
Net book value				
At 31 December 2020	106	178	298	582

6 Investment properties

	2021 AED'000	2020 AED'000
Cost		
At 1 January	**105,721**	105,721
Accumulated depreciation		
At 1 January	**33,518**	31,669
Charge for the year	**1,847**	1,849
At 31 December	**35,365**	33,518
Net book value at 31 December	**70,356**	72,203

On 31 December 2021, Windmills Real Estate Valuation Services LLC and Najmat Al Murjan Real Estate Valuation Service LLC, independent and experienced professional valuers estimated the fair value of investment property at AED 140.5 million and AED 141 million respectively (2020: Land Sterling Property Consultants LLC and Aneet Real Estate Valuation Services, independent and experienced professional valuers estimated the fair value of investment property at AED 140.04 million and AED 140.29 million respectively). Investment property is held for capital appreciation and rental purposes. The Company occupies an insignificant area of 10% (2020: 10%) in the investment property for use in its own business.

7 Financial assets at fair value through other comprehensive income

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2021					
Equity securities					
Quoted*	(a)	**460,827**	-	-	**460,827**
Unquoted*	(b)	-	-	**50,154**	**50,154**
Debt securities					
Quoted	(a)	**58,489**	-	-	**58,489**
		519,316	-	**50,154**	**569,470**
31 December 2020					
Equity securities					
Quoted*	(a)	324,701	-	-	324,701
Unquoted*	(b)	-	-	42,853	42,853
Debt securities					
Quoted	(a)	59,328	-	-	59,328
		384,029	-	42,853	426,882

* This comprises of a quoted investment amounting to AED 50 million and an unquoted investment amounting to AED 50 million which are in the name of the Chairman held for the beneficial interest of the Company.

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

(a) Fair values have been determined by reference to quoted prices at the reporting date. During the year, the Company did not purchase quoted equity and debt securities .

(b) The Company holds investments in unquoted equity securities through beneficial ownership of one entity as at 31 December 2021 (2020: two entities). This investment have been fair valued by an independent valuer based on an Earnings Multiple technique (2020: Earnings multiples and Net asset value technique) using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Unobservable financial data used in determining the fair values of this unquoted security has been extracted from the latest available audited financial statements for the ended 31 December 2020 (2020: financial statements for the year ended 31 December 2019 are used).

Fair values of these unquoted securities would have been different if the financial data of these non-public investees as at 31 December 2021 could be used based on its availability. These fair values are considered to be the best estimate given the availability of information. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimates is significant.

Movement in financial assets grouped in level 1

The reconciliation of carrying amounts of financial instruments classified within level 1 is as follows:

	2021 AED'000	2020 AED'000
Investments in quoted securities		
Balance as at 1 January	**324,701**	435,717
Disposals during the year	**-**	(37,596)
Gains / (losses) recognised in other comprehensive income	**136,126**	(73,420)
Balance as at 31 December	**460,827**	324,701

	2021 AED'000	2020 AED'000
Investments in debt securities		
Balance as at 1 January	**59,328**	-
Additions during the year	**-**	58,893
(Losses) / gains recognised in other comprehensive income	**(839)**	435
Balance as at 31 December	**58,489**	59,328

Investments in debt securities represents bonds carrying interest rate ranging from 4.5% to 7.1% per annum (2020: 4.5% to 7.1% per annum).

Movement in financial assets grouped in level 3

	2021 AED'000	2020 AED'000
Investments in unquoted securities		
Balance as at 1 January	**42,853**	66,883
Disposals during the year	**-**	(17,075)
Gain / (losses) recognised in other comprehensive income	**7,301**	(6,955)
Balance as at 31 December	**50,154**	42,853

8 Insurance receivables

	2021 AED'000	2020 AED'000
Due from policy holders	**18,725**	9,909
Due from insurance companies	**10,010**	7,461
Due from reinsurance companies	**10,191**	2,840
Due from insurance brokers	**32,692**	54,746
	71,618	74,956
Provision for bad and doubtful debts	**(5,538)**	(4,585)
	66,080	70,371

The average credit period is 90 days. Insurance receivables of AED 5.54 million (2020: AED 4.59 million), which are impaired and not recoverable, are fully provided.

9 Other receivables

	2021 AED'000	2020 AED'000
Deferred commission cost	**14,867**	15,206
Prepayments	**3,081**	3,228
Accrued interest	**1,362**	731
Rent receivable	**7,643**	7,715
Other receivables	**4,905**	2,105
	31,858	28,985
Expected credit losses	**(5,181)**	(4,754)
	26,677	24,231

The Company has recognised AED 5.18 million as a provision on doubtful rent receivables (2020: AED 4.75 million).

10 Related parties

Details of related parties' balances are as follows:

Amounts due from related parties

	2021 AED'000	2020 AED'000
Related parties due to common directorship		
Diamondlease LLC	**7,383**	5,136
Al Habtoor Theatre LLC	**7,850**	12,294
Habtoor Palace LLC	**1,738**	2,220
Dubai National Investment Co.	**1,571**	2,116
North Hotel LLC	**1,108**	1,931
Other Habtoor Group companies	**2,007**	7,559
	21,657	31,256

10 Related parties (continued)

Amounts due to related parties

	2021 AED'000	2020 AED'000
Related parties due to common ownership		
Al Habtoor Motors Co LLC	**3,123**	4,292
Others	**15**	-
	3,138	4,292

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Transactions with related parties

Details of significant transactions with related parties are shown below:

	2021 AED'000	2020 AED'000
Premiums written	**64,843**	70,514
Claims paid	**9,584**	120,310
Commission paid	**2,035**	2,114
Agency / Non-Agency repairs	**18,256**	16,614
Key management personnel remuneration:		
- Short term benefits	**1,797**	2,710
- Post-employment benefits	**84**	215
	1,881	2,925

11 Insurance contract liabilities

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provision is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering the nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which are an indication for establishing the adequacy of the estimation process. The management believes that the liability for claims reported in the statement of financial position is adequate.

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. The following table reflects the cumulative incurred claims notified, IBNR, ULAE and URR for each successive accident year at each statement of financial position date, together with cumulative payments to date.

11 Insurance contract liabilities (continued)

	Accident year					
	2017 & prior AED'000	2018 AED'000	2019 AED'000	2020 AED'000	2021 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of accident year	1,429,577	193,467	249,170	316,560	180,087	
One year later	1,423,437	212,859	259,410	324,390	-	
Two years later	1,416,648	213,663	258,836	-	-	
Three years later	1,407,541	208,088	-	-	-	
Four years later	1,399,450	-	-	-	-	
Estimate of cumulative claims	1,399,450	208,088	258,836	324,390	180,087	2,370,851
Cumulative payments to date	1,379,372	202,280	242,344	307,299	147,072	2,278,367
Provision for outstanding claims as on 31 December 2021	20,078	5,808	16,492	17,091	33,015	92,484
IBNR and other reserves as on 31 December 2021	-	-	206	2,534	39,100	41,840
ULAE reserves as on 31 December 2021	685	153	482	529	1,691	3,540
Gross outstanding claims and technical provisions as on 31 December 2021	20,763	5,961	17,180	20,154	73,806	137,864
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2021	19,537	4,442	10,799	12,278	42,030	89,086
Net outstanding claims and technical provisions as on 31 December 2021	1,226	1,519	6,381	7,876	31,776	48,778
Provision for outstanding claims and technical provisions as on 31 December 2020	29,459	15,006	28,881	95,341	-	168,687
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2020	23,447	9,673	22,117	52,196	-	107,433

11 Insurance contract liabilities (continued)

		2021			2020		
		Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned premium reserve	(a)	136,103	(84,265)	51,838	134,782	(90,029)	44,753
Insurance contract provisions	(b)	92,484	(64,223)	28,261	104,222	(76,081)	28,141
Provision for IBNR	(c)	41,840	(24,863)	16,977	61,536	(31,352)	30,184
Provision for ULAE	(d)	3,540	-	3,540	2,929	-	2,929
Unexpired risk reserves	(e)	866	-	866	254	-	254
		274,833	(173,351)	101,482	303,723	(197,462)	106,261

a) Unearned premium reserve

		2021			2020		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at 1 January	i)	134,782	(90,029)	44,753	172,020	(115,109)	56,911
Provision made during the year		134,594	(83,466)	51,128	132,959	(88,646)	44,313
Provision released during the year		(133,273)	89,230	(44,043)	(170,197)	113,726	(56,471)
Net movement during the year	(ii)	1,321	5,764	7,085	(37,238)	25,080	(12,158)
Balance as at 31 December	(i + ii)	136,103	(84,265)	51,838	134,782	(90,029)	44,753

11 Insurance contract liabilities (continued)

b) Insurance contract provisions

		2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000	2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000
Balance as at 1 January	(i)	104,222	(76,081)	28,141	102,101	(75,972)	26,129
Provision made during the year		173,677	(124,788)	48,889	318,529	(279,088)	39,441
Settled during the year		(185,415)	136,646	(48,769)	(316,408)	278,979	(37,429)
Net movement during the year	(ii)	(11,738)	11,858	120	2,121	(109)	2,012
Balance as at 31 December	(i + ii)	92,484	(64,223)	28,261	104,222	(76,081)	28,141

c) Provision for IBNR

		2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000	2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000
Balance as at 1 January	(i)	61,536	(31,352)	30,184	63,868	(38,723)	25,145
Provision made during the year		41,840	(24,863)	16,977	53,445	(31,352)	22,093
Provision released during the year		(61,536)	31,352	(30,184)	(55,777)	38,723	(17,054)
Net movement during the year	(ii)	(19,696)	6,489	(13,207)	(2,332)	7,371	5,039
Balance as at 31 December	(i + ii)	41,840	(24,863)	16,977	61,536	(31,352)	30,184

11 Insurance contract liabilities (continued)

d) Provision for ULAE

		2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000	2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000
Balance as at 1 January	(i)	**2,929**	**-**	**2,929**	2,724	-	2,724
Provision made during the year		**3,540**	**-**	**3,540**	2,929	-	2,929
Provision released during the year		**(2,929)**	**-**	**(2,929)**	(2,724)	-	(2,724)
Net movement during the year	(ii)	**611**	**-**	**611**	205	-	205
Balance as at 31 December	(i + ii)	**3,540**	**-**	**3,540**	2,929	-	2,929

e) Unexpired risk reserves

		2021 Gross AED'000	2021 Reinsurance share AED'000	2021 Net AED'000	2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000
Balance as at 1 January	(i)	**254**	**-**	**254**	1,244	-	1,244
Provision made during the year		**866**	**-**	**866**	254	-	254
Provisions reversed during the year		**(254)**	**-**	**(254)**	(1,244)	-	(1,244)
Net movement during the year	(ii)	**612**	**-**	**612**	(990)	-	(990)
Balance as at 31 December	(i + ii)	**866**	**-**	**866**	254	-	254

12 Cash and bank balances

Cash and bank balances comprise the following statement of financial position amounts:

	2021 AED'000	2020 AED'000
Cash in hand	**38**	21
Cash at banks	**137,671**	97,924
	137,709	97,945

Cash at bank includes short term deposits (3-12 months) with local banks carrying interest ranging from 0.35% - 1.10% (2020: 0.09% to 2.95%) per annum.

Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the financial items in the statement of financial position as follows:

	2021 AED'000	2020 AED'000
Cash and bank balances	**137,709**	97,945
Bank deposits with maturity over 3 months	**(80,617)**	(35,776)
Cash and cash equivalents	**57,092**	62,169

13 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each:

	2021 No. of shares	2021 AED'000	2020 No. of shares	2020 AED'000
Balance at 31 December	**115,500,000**	**115,500**	115,500,000	115,500

14 Legal reserve

In accordance with the Company's Articles of Association and Article 239 of the Federal Law No. 2 of 2015 (as amended), a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (2020: Nil).

15 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly. During the year, there were no transfers from or to the general reserve (2020: Nil).

16 Reinsurance reserve

In accordance with article 34 of Insurance Authority's Board of Directors Decision No. 23 of 2019, Concerning instructions organising reinsurance operations, an amount of AED 0.964 million (2020: AED 1.059 million) equal to 0.5% of total reinsurance premium ceded during the year was transferred from retained earnings to reinsurance reserve. This reserve will be accumulated year after year and will not be disbursed without prior approval from insurance authority.

17 Employees' end of service benefits

	2021 AED'000	2020 AED'000
Balance at 1 January	**7,092**	6,479
Charge for the year	**339**	844
Payments during the year	**(3,340)**	(231)
Balance at 31 December	**4,091**	7,092

18 Insurance payables

	2021 AED'000	2020 AED'000
Trade creditors	**9,793**	5,718
Insurance companies	**9,355**	9,668
Re-insurance companies	**34,664**	37,696
Brokers payable	**8,650**	6,384
Premium reserve withheld	**6,272**	5,682
	68,734	65,148

19 Other payables

	2021 AED'000	2020 AED'000
Deferred commission income	**8,845**	7,657
Accrued expenses	**12,149**	9,907
Provision for staff benefits	**2,893**	2,524
Directors' remuneration *	**5,544**	5,401
Other payables	**16,259**	18,300
	45,690	43,789

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 169 of U.A.E Federal Law No. 2 of 2015 (as amended) and also as per the Articles of Association of the Company.

20 Income from investments - net

	2021 AED'000	2020 AED'000
Dividend income on securities – net	**18,605**	21,339
Interest income – net	**4,128**	1,338
	22,733	22,677

21 Income from investment properties - net

	2021 AED'000	2020 AED'000
Gross rental income	**9,593**	12,015
Maintenance expenses	**(4,270)**	(5,654)
Depreciation (note 6)	**(1,847)**	(1,849)
	3,476	4,512

22 General and administrative expenses

	2021 AED'000	2020 AED'000
Personnel costs	**15,873**	16,463
Other operational expenses	**10,081**	9,243
	25,954	25,706

23 Earnings per share

	2021	2020
Net profit for the year (AED'000)	**56,404**	55,073
Weighted average number of shares outstanding (note 13)	**115,500,000**	115,500,000
Earnings per share (AED) - Basic and diluted	**0.49**	0.48

24 Segment reporting

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Group life Insurance. Investments segment comprises Investment Property and Financial Assets. The Group life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

	2021 AED'000			2020 AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**301,239**	**32,899**	**334,138**	317,271	35,103	352,374
Segment result	**55,985**	**26,209**	**82,194**	53,590	27,189	80,779
Unallocated:						
-Other income			**164**			-
-Admin expenses			**(25,954)**			(25,706)
Net profit for the year			**56,404**			55,073
Segment assets	**288,238**	**639,826**	**928,064**	323,902	499,085	822,987
Unallocated assets			**147,709**			107,945
Total assets			**1,075,773**			930,932
Segment liabilities	**386,655**	**4,287**	**390,942**	419,073	4,971	424,044
Unallocated liabilities			**-**			-
Total liabilities			**390,942**			424,044

24 Segment reporting (continued)

Underwriting results are further classified as follows:

	AED'000		
	General business	Group life business	Total
2021			
Gross premiums written	**298,499**	**2,740**	**301,239**
Gross underwriting income	**92,059**	**831**	**92,890**
Net claims incurred	**36,330**	**575**	**36,905**
Net underwriting income	**55,729**	**256**	**55,985**
2020			
Gross premiums written	314,270	3,001	317,271
Gross underwriting income	96,390	897	97,287
Net claims incurred	43,133	564	43,697
Net underwriting income	53,257	333	53,590

25 Dividends

The Board has proposed cash dividend of 30% of paid up share capital, amounting to AED 34.650 million (AED 0.30 per share) for the year ended 31 December 2021.

During the previous year, the Board proposed a cash dividend of AED 34.650 (AED 0.30 per share) representing 30% of the paid up capital as at 31 December 2020. This was approved at the Annual General Meeting held in March 2021.

26 Commitments and contingencies

	2021 AED'000	2020 AED'000
Financial guarantee	**1,980**	310

Guarantees of AED 1.97 million (2020: AED 0.17 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

27 Capital commitments

At the statement of financial position date, the Company has commitments in software of AED 0.972 million (2020: 0.896 million).

28 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, group life, accident health, financial or other perils that may arise from an insurable event.

The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

The Company has structured policies for acceptance and pricing risks. Experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on a balanced portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per the Company's risk management policies.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. 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 arrangements.

This reinsurance is through proportional treaty, non-proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable is monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of insurance contracts varies but are generally based on norms as applied in the Insurance Market.

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 55.985 million for the year ended 31 December 2021 (2020: AED 53.590 million)

The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended 31 December 2021 is 36% (2020: 33%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.

28 Risk management objectives and policies for mitigating insurance risk (continued)

Sensitivity of underwriting profits and losses (continued)

- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.

Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

Risk based regulatory reporting

Pursuant to the requirement of financial regulations of Insurance Authority, United Arab Emirates, statements of financial position and income statements of Group life Insurance (referred to as "Persons and Funds Accumulation Operations") and General Insurance (referred to as "Property and Liability Insurance") are as follows:

Statement of financial position of persons and funds accumulation operations

	2021 AED'000	2020 AED'000
ASSETS		
Statutory deposits	**4,000**	4,000
Insurance receivables	**1,171**	935
Other receivables	**95**	151
Amounts due from related parties	**160**	263
Reinsurance contract assets	**2,938**	2,780
Cash and cash equivalents	**760**	1,135
TOTAL ASSETS	**9,124**	9,264
EQUITY AND LIABILITIES		
EQUITY		
Reinsurance reserve	**18**	9
Retained earnings	**3,302**	3,641
Net funds transferred from general insurance	**381**	104
TOTAL EQUITY	**3,701**	3,754
LIABILITIES		
Employees' end of service benefits	**81**	69
Insurance contract liabilities	**4,016**	3,845
Insurance payables	**1,326**	1,596
TOTAL LIABILITIES	**5,423**	5,510
TOTAL EQUITY AND LIABILITIES	**9,124**	9,264

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of profit or loss of persons and funds accumulation operations

	2021 AED'000	2020 AED'000
Gross premiums	**2,740**	3,001
Reinsurance share of premiums	**(1,703)**	(1,736)
Net premiums	**1,037**	1,265
Net transfer to unearned premium reserve	**73**	8
Net premiums earned	**1,110**	1,273
Commission earned	**7**	11
Commission paid	**(286)**	(387)
Gross underwriting income	**831**	897
Gross claims paid	**2,639**	1,487
Reinsurance share	**(2,149)**	(1,216)
Net claims paid	**490**	271
Provision for outstanding claims and technical provisions	**169**	1,224
Reinsurance share of outstanding claims and technical provisions	**(84)**	(931)
Net claims incurred	**575**	564
Net underwriting income	**256**	333
Gross income	**256**	333
General and administrative expenses	**(595)**	(607)
Net loss for the year	**(339)**	(274)

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of financial position of property and liability insurance

	2021 AED'000	2020 AED'000
ASSETS		
Statutory deposits	**6,000**	6,000
Property and equipment	**473**	582
Investment property	**70,356**	72,203
Financial assets at fair value through other comprehensive income	**569,470**	426,882
Insurance receivables	**64,909**	69,436
Other receivables	**26,582**	24,080
Amounts due from related parties	**21,497**	30,993
Reinsurance contract assets	**170,413**	194,682
Cash and cash equivalents	**136,949**	96,810
TOTAL ASSETS	**1,066,649**	921,668
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**115,500**	115,500
Legal reserve	**57,750**	57,750
General reserve	**180,000**	180,000
Reinsurance reserve	**2,005**	1,050
Fair value reserve on financial assets at fair value through other comprehensive income	**220,505**	77,917
Net funds transferred to group life Insurance	**(381)**	(104)
Retained earnings	**100,207**	71,021
TOTAL EQUITY	**675,586**	503,134
LIABILITIES		
Employees' end of service benefits	**4,010**	7,023
Insurance contract liabilities	**270,817**	299,878
Insurance payables	**67,408**	63,552
Other payables	**45,690**	43,789
Amounts due to related parties	**3,138**	4,292
TOTAL LIABILITIES	**391,063**	418,534
TOTAL EQUITY AND LIABILITIES	**1,066,649**	921,668

28 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of profit or loss of property and liability insurance

	2021 AED'000	2020 AED'000
Gross premiums	298,499	314,270
Reinsurance share of premiums	(191,086)	(209,976)
Net premiums	107,413	104,294
Net transfer to unearned premium reserve	(7,158)	12,150
Net premiums earned	100,255	116,444
Commission earned	20,470	18,034
Commission paid	(31,804)	(41,077)
Others	3,138	2,989
Gross underwriting income	92,059	96,390
Gross claims paid	182,776	314,921
Reinsurance share	(134,497)	(277,763)
Net claims paid	48,279	37,158
Provision for outstanding claims and technical provisions	(30,380)	(2,218)
Reinsurance share of outstanding claims and technical provisions	18,431	8,193
Net claims incurred	36,330	43,133
Net underwriting income	55,729	53,257
Income from investments – net	22,733	22,677
Income from investment properties – net	3,476	4,512
Other income	164	-
Gross income	82,102	80,446
General and administrative expenses	(25,359)	(25,099)
Net profit for the year	56,743	55,347

29 Financial risk management objectives and policies

The financial assets of the Company include statutory deposits, cash at bank and in hand, other receivables, due from related parties and investments. Financial liabilities include due to related parties and most other payables. Accounting policies for each class of financial assets and liabilities are set out in note 3.

Category-wise assets and liabilities

2021

	Financial instruments			
Assets	**At amortised cost AED'000**	**FVTOCI AED'000**	**Insurance contracts AED'000**	**Total AED'000**
Statutory deposits	**10,000**	**-**	**-**	**10,000**
Reinsurance contract assets	**-**	**-**	**173,351**	**173,351**
Cash and cash equivalents	**137,709**	**-**	**-**	**137,709**
Financial assets at FVTOCI	**-**	**569,470**	**-**	**569,470**
Insurance receivables	**-**	**-**	**66,080**	**66,080**
Other receivables	**8,729**	**-**	**-**	**8,729**
Amounts due from related parties	**21,657**	**-**	**-**	**21,657**
	178,095	**569,470**	**239,431**	**986,996**

2020

	Financial instruments			
Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	197,462	197,462
Cash and cash equivalents	97,945	-	-	97,945
Financial assets at FVTOCI	-	426,882	-	426,882
Insurance receivables	-	-	70,371	70,371
Other receivables	5,797	-	-	5,797
Amounts due from related parties	31,256	-	-	31,256
	144,998	426,882	267,833	839,713

29 Financial risk management objectives and policies (continued)

Category-wise assets and liabilities (continued)

2021

Liabilities	**At amortised cost AED'000**	**Insurance contracts AED'000**	**Total AED'000**
Insurance contract liabilities	**-**	**274,833**	**274,833**
Insurance and other payables	**36,845**	**68,734**	**105,579**
Amounts due to related parties	**3,138**	**-**	**3,138**
	39,983	**343,567**	**383,550**

2020

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	303,723	303,723
Insurance and other payables	36,132	65,148	101,280
Amounts due to related parties	4,292	-	4,292
	40,424	368,871	409,295

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The Board reviewed and agreed policies for management of these risks summarised below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurers' and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers and brokers, however these are monitored closely by the management.

Credit risk with respect to reinsurers is mitigated by placement only with those companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

29 Financial risk management objectives and policies (continued)

Credit risk (continued)

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired	Past due				Past due and impaired	Total
		<120 days	120 -180 days	>180 days	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2021	**51,094**	**4,491**	**5,495**	**10,538**	**71,617**	**(5,538)**	**66,080**
31 December 2020	45,178	8,169	6,889	14,720	74,956	(4,585)	70,371

The Company believes that overdue debtors are not impaired except those already provided for.

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of liabilities over assets, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the UAE.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table below summarises the maturity of various assets and liabilities:

2021

	Less than 30 days AED'000	**30-90 days AED'000**	**90-180 days AED'000**	**After 180 days AED'000**	**Total AED'000**
Assets					
Statutory deposits	**-**	**-**	**-**	**10,000**	**10,000**
Financial assets at FVTOCI	**-**	**-**	**-**	**569,470**	**569,470**
Insurance receivables	**18,562**	**24,358**	**16,948**	**6,212**	**66,080**
Other receivables	**289**	**4,128**	**2,329**	**1,983**	**8,729**
Amounts due from related parties	**4,358**	**6,329**	**10,384**	**586**	**21,657**
Cash in hand and at banks including deposits:					
- Interest bearing	**10,543**	**54,655**	**19,204**	**16,307**	**100,709**
- Non-interest bearing	**1,000**	**19,080**	**13,900**	**3,020**	**37,000**
Reinsurance contract assets (a)	**-**	**-**	**-**	**-**	**173,351**
	34,752	**108,550**	**62,765**	**607,578**	**986,996**

29 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

2021 (continued)

	Less than 30 days AED'000	**30-90 days AED'000**	**91-180 days AED'000**	**After 180 days AED'000**	**Total AED'000**
Liabilities					
Insurance and other payables	**12,352**	**40,993**	**30,228**	**22,006**	**105,579**
Amounts due to related parties	**532**	**2,145**	**349**	**112**	**3,138**
Insurance contract liabilities (a)	**-**	**-**	**-**	**-**	**274,833**
	12,884	**43,138**	**30,577**	**22,118**	**383,550**

2020

	Less than 30 days AED'000	30-90 days AED'000	91-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets	-	-	-	426,882	426,882
Insurance receivables	17,593	24,629	17,593	10,556	70,371
Other receivables	289	3,905	1,037	566	5,797
Amounts due from related parties	6,251	9,377	14,065	1,563	31,256
Cash in hand and at banks including deposits:					
- Interest bearing	-	40,106	20,626	15,151	75,883
- Non-interest bearing	22,062	-	-	-	22,062
Reinsurance contract assets (a)	-	-	-	-	197,462
	46,195	78,017	53,321	464,718	839,713
Liabilities					
Insurance and other payables	15,192	35,448	30,384	20,256	101,280
Amounts due to related parties	819	2,458	683	332	4,292
Insurance contract liabilities (a)	-	-	-	-	303,723
	16,011	37,906	31,067	20,588	409,295

(a) The maturities of insurance contract liabilities and the corresponding re-insurance contract assets are contingent upon the final settlement of claims, therefore cannot be reliably allocated to any particular maturity slab.

29 Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on fixed deposits. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest-bearing investments are denominated.

Interest rate sensitivity

The effective interest rates for all major classes of interest-bearing financial instruments as at 31 December, are as follows:

2021

	Total AED'000	**Effective interest rate %**
Bank deposits (including statutory deposit)	**112,534**	**0.35% to 1.10%**

2020

	Total AED'000	Effective interest rate %
Bank deposits (including statutory deposit)	85,883	0.09% to 2.95%

There is no significant difference between contractual reprising or maturity dates.

The following table demonstrates the sensitivity of statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2021.

	Increase/decrease in basis points (bps)	**Effect on profit for the year AED'000**
2021	**50 (bps)**	**563**
	(50) (bps)	**(563)**
2020	50 (bps)	429
	(50) (bps)	(429)

Exchange risk

A major portion of the Company's liabilities and assets are denominated in AED or US Dollars. Since AED is effectively pegged to US Dollars, there is minimal exchange risk.

29 Financial risk management objectives and policies (continued)

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Company is exposed to market risk with respect to its investments in quoted and unquoted shares.

The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the Company actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investee.

All the Company's investments are within the United Arab Emirates.

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

Given that all other variables remain constant, had equity prices been 10% higher/lower at the reporting date:

- net profit for the year ended 31 December 2021 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income (FVTOCI);
- fair value reserve on financial assets of FVTOCI within equity would have increased/decreased by AED 56.95 million (2020: increase/decrease by AED 42.69 million).

Debt securities

All of the company's debt investments at FVOCI are considered to have low credit risk. Management considers 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk where they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

30 Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100,000,000 (2020: AED 100,000,000).

2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.

3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

There were no changes made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2021	2020
	AED'000	AED'000
Cash and cash equivalents	**137,709**	97,945
Total equity held	**684,831**	506,888
Minimum regulatory capital	**100,000**	100,000

31 Comparatives

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the year.

32 Post-reporting date events

On 31 January 2022, the UAE Ministry of Finance announced the introduction of a 9% Federal Corporate Tax rate effective for fiscal years commencing on or after 1 June 2023. There is no impact of this announcement on the financial statements of the Company for the year ended 31 December 2021. Management will assess the implications of this Federal Corporate Tax in due course. Except for the corporate tax and proposed cash dividend of 30% of paid up capital for the year ended 31 December 2021 (note 25), there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.