Union Insurance Company P.J.S.C.

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

Union Insurance Company P.J.S.C.

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

Board of Directors' Report

Dear Shareholders,

On behalf of the Board of Directors of Union Insurance Company P.J.S.C. we have the pleasure in presenting our Report on the performance of the Company along with the Audited Financial Statements for the year ended 31st December 2021.

The Company registered another successful year of Underwriting performance during 2021 despite continued challenges faced by the local insurers and global economy due continuing outbreak of the COVID 19 pandemic for the second year,The Company took several timely measures to mitigate the effects of the pandemic which resulted in successfully sustaining the business and improving the premium during the year 2021.

Notable events/achievements during the year were:

- The Company registered a Gross Premium of AED 900 million in 2021 as against Premium of AED 868 million during 2020.
- The Company continues to carry technical provisions as recommended by the Actuary in compliance with the Insurance Authority regulations.
- The Company's Financial Strength Rating of B+ (Good) and Issuer Credit Rating of (BBB-) was affirmed by the International Credit Rating Agency A. M. Best. According to AM Best's Press Release on 09th December 2021 – "these ratings reflect Union's Balance Sheet strength, which A.M. Best categorises as strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management".
- During the year 2021, the new Board of Directors, elected on 08-06-2021 discovered the non existence of real estate investments amounting to AED 73 million that were registered in the Company's books and included in its financial statements issued in the year 2020 (before restated). The Company has submitted an initial solvency recovery plan on 11 November 2021 detailing the proposed course of action. The CBUAE has vide its communication dated 13 January 2022 gave the company time till 30 September 2022 towards the restoration of solvency.

  The Company, as part of its submitted action plan, divested the concentrated equity position on one investment during November 2021. This has resulted in reducing the solvency deficiency by 94%. The solvency deficit as at 31 December 2021 stands at AED (2.3 million) and the company is confident of restoring the solvency during the 1st quarter 2022.

Classification: Public

2021 Financial results

- The Underwriting Profit for 2021 amounted to AED 19.4 million (2020: AED 24.7 million).
- The company reported investment profit of AED 5.4 million compared to loss of AED (2) million for the year 2020.
- The Net Profit for the year 2021 amounted to AED 13.2 million as against the Net Loss of AED (3.9) million for the year 2019.
- Total Equity of the Company increased to AED 235.4 million in 2021 from AED 222 million at the end of the 2020 (Restated).
- Total Assets of the Company as at 31.12.2021 is AED 1.998 billion compared to AED 1.626 billion as at the end of 2020.

The new Board of Directors confirms that they will continue to sue some of previous Board members and one current Board member in relation to fictitious real estate investments (AED 73 million), as well as suing three former Board members and one current board member to recover what the previous Board of Directors had previously paid to themselves. - Unjustly - from fees and allowances (AED 400,000 per member) before their resignation on 11-04-2021.

The Management take this opportunity to thank all the shareholders and customers for their continued support and also express their sincere appreciation to Company managers and staff for their dedication and hard work.

For and on behalf of Union Insurance Co. P.J.S.C.

Chairman of the Board

Nasser Rashid Abdulaziz Almoalla

Classification: Public

Independent auditor's report to the shareholders of Union Insurance Company P.J.S.C.

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Union Insurance Company P.J.S.C. (the "Company") as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The Company's financial statements comprise:

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

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

Independence

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

Our audit approach

Overview

Key Audit Matters	• Provision for doubtful debts on insurance and reinsurance receivables • Valuation of insurance contract liabilities • Classification and impairment of freehold land

PricewaterhouseCoopers (Dubai Branch), Licence no. 102451
Emaar Square, Building 5, P O Box 11987, Dubai - United Arab Emirates
T: +971 (0)4 304 3100, F: +971 (0)4 346 9150, www.pwc.com/me

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

Independent auditor's report to the shareholders of Union Insurance Company P.J.S.C. (continued)

Our audit approach (continued)

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

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Provision for doubtful debts on insurance and reinsurance receivables As disclosed in note 15 to the financial statements, the Company's insurance and reinsurance receivables amounted to AED 352.8 at 31 December 2021 million and the related provision for impairment amounted to AED 60.8 million as at that date. We consider the calculation of provision for doubtful debts on insurance and reinsurance receivables as a key audit matter because of the significance of the insurance and reinsurance receivables balance (representing 18% of the total assets as at 31 December 2021), the related estimation uncertainty of provision for doubtful debts to the financial statements and the significance of the judgements used in applying the requirements of IAS 39 to the assessment of the adequacy of provision for doubtful debts.	As part of our audit procedures, we: • obtained and tested the reliability of the aging report for the insurance and reinsurance receivable balances and performed the following: - verified the historical provision for bad debts to actual write offs; - considered adequacy of doubtful debts provision for significant customers by taking into account specific credit risk assessments for each customer based on days past due, the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties which reduce the net exposure; and - discussed with management and reviewed correspondence, where relevant, to identify any disputes and assess whether the bad debt provisions are appropriately assessed. • reviewed the Company's provisioning policy and ensured it is consistently applied period on period. • checked the appropriateness of the disclosures made in relation to the provision for doubtful debts of insurance and reinsurance receivables in the financial statements.

Independent auditor's report to the shareholders of Union Insurance Company P.J.S.C. (continued)

Our audit approach (continued)

Key audit matter (continued)	**How our audit addressed the Key audit matter** (continued)
Valuation of insurance contract liabilities As disclosed in note 13 to these financial statements, the Company's gross insurance contract liabilities amounted to AED 1.1 billion as at 31 December 2021. Note 13 to these financial statements describes the elements that make up the insurance contract liabilities balance of which, following are the most judgemental elements: <u>Outstanding claims</u> Outstanding claims is a material balance within the financial statements and is also highly judgmental and can be complex to calculate in certain instances. The outstanding claims are a best estimate of all claims incurred but not settled at the reporting date. <u>Incurred but not reported claims reserves:</u> This reserve represents the liability for claims incurred but not reported at the end of the reporting year which is determined through an internal and external independent actuarial valuation, considering the Company's historical loss experience. Significant assumptions are applied in the valuation of claims that have been incurred at the reporting date but have not yet been reported to the Company. In addition, lines of business where there is a greater length of time between the initial claim event and the settlement tend to display greater variability between initial estimates and final settlement amounts. <u>Mathematical reserves:</u> This reserve represents the liability for the life insurance policies which is determined through an internal and external independent actuarial valuation, considering future policy benefits at the end of each reporting period. It involves complex and subjective judgements and uncertainty about future events for which changes in the assumptions can result in a significant impact to the estimate.	As part of our audit procedures, we: • understood, evaluated and tested key controls relating to the outstanding claims reserve setting process of the Company. For outstanding claims, we: • checked on a sample basis the outstanding claims against supporting documentation, such as loss adjusters' reports; • compared on a sample basis the outstanding claims with the subsequent payments, if settled or subsequent reserve amounts, if unsettled. For incurred but not reported claims reserve and mathematical reserves, we: • re-performed reconciliations between the data used in the actuarial reserving calculations and the underlying accounting records of the Company; • evaluated the competence, objectivity and independence of the Company's appointed external actuaries as well as our internal actuarial experts; • using our internal actuarial experts, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices. In particular we: - checked whether the data used and checks applied to it are reasonable and sufficient to determine the adequacy of the Company's actuarial reserves; - assessed the reasonableness of assumptions and methods used in the underlying calculations of the reserves; - recalculated incurred but not reported claims reserve on a sample basis for major lines of business; and - understood and assessed the reasonableness of mathematical reserves and performed recalculation on a sample basis for the valuation of the mathematical reserves;

Our audit approach (continued)

Key audit matter (continued)	**How our audit addressed the Key audit matter** (continued)
Valuation of insurance contract liabilities (continued) The valuation of other elements of the Company's insurance contract liabilities was also carried out by the Company's internal actuarial team and reviewed by independent external actuaries. We consider the valuation of insurance contract liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management makes in determining the reasonableness and adequacy of the insurance contract liabilities.	• checked the appropriateness of the disclosures made in relation to the valuation of insurance contract liabilities included in the financial statements.
Classification and impairment of freehold land As disclosed in note 11 to these financial statements, the Company's freehold land is included within 'Property and equipment' amounting to AED 59.2 million as at 31 December 2021 and is measured at cost. We consider the classification and impairment of freehold land a key audit matter because of the prior year adjustment related to the carrying amount of the freehold land and the absence of valuation performed in prior years to assess impairment. Classification of free hold land involves a degree of judgement, in view of it's ultimate use.	As a part of our audit procedures, for classification of freehold land, we: • reviewed the title deed of the freehold land to ensure it is held in the Company's name; • reviewed the Board of directors resolution authorising the use of the freehold land for construction of the Company's head office; and • discussed with management the status and timing of the proposed construction project. For impairment testing of freehold land, we: • evaluated the competence, objectivity and independence of the management appointed valuers; • evaluated the appropriateness of the valuers' work by considering the nature and scope of the instructions provided to the valuers by the Company; • evaluated the completeness and accuracy of source data used in the calculation of fair value; • performed an independent check of the prevailing price of the freehold land from information available in the public domain; and • checked the appropriateness of the disclosures made in relation to the freehold land in the financial statements.

Independent auditor's report to the shareholders of Union Insurance Company P.J.S.C. (continued)

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Independent auditor's report to the shareholders of Union Insurance Company P.J.S.C. (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

pwc

Independent auditor's report to the shareholders of Union Insurance Company P.J.S.C. (continued)

Report on other legal and regulatory requirements

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

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

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015, as amended;

iii) the Company has maintained proper books of account;

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

v) as disclosed in note 4 to the financial statements the Company has purchased and invested in shares during the year ended 31 December 2021;

vi) note 9 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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

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

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

PricewaterhouseCoopers
28 March 2022

Murad Alnsour
Registered Auditor Number 1301
Place: Dubai, United Arab Emirates

STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 December 2021 AED '000	As at 31 December 2020 AED '000 (Restated)	As at 1 January 2020 AED '000 (Restated)
ASSETS				
Property and equipment	11	**70,446**	79,921	78,750
Intangible assets	16	**14,574**	16,761	23,337
Statutory deposit	5	**10,000**	10,000	10,000
Right-of-use assets	22	**637**	3,599	7,680
Unit linked assets	4.3	**368,887**	286,798	192,438
Investment securities	4	**47,888**	113,271	184,961
Reinsurance contract assets	13.1	**831,514**	488,265	538,808
Bank deposits with original maturities of more than three months	6.2	**205,965**	220,343	136,528
Insurance and other receivables	15	**356,202**	401,497	473,112
Cash and cash equivalents	6.1	**91,881**	5,142	20,059
Total assets		**1,997,994**	1,625,597	1,665,673
LIABILITIES AND EQUITY				
LIABILITIES				
Provision for employees' end of service benefits	23	**12,873**	10,962	8,618
Insurance contract liabilities	13.1	**1,105,249**	740,417	784,835
Payables to policyholders of unit-linked products	12	**368,887**	286,798	192,438
Insurance and other payables	17	**275,500**	364,792	448,588
Bank overdraft	6.1	**-**	584	3,382
Total liabilities		**1,762,509**	1,403,553	1,437,861
EQUITY				
Share capital	7	**330,939**	330,939	330,939
Statutory reserve	8.1	**16,187**	14,865	14,865
Special reserve	8.2	**16,187**	14,865	14,865
Reinsurance reserve	8.4	**4,885**	2,266	-
Fair value reserve	8.3	**156**	(11,274)	(10,268)
Accumulated losses		**(132,869)**	(129,617)	(122,589)
Total equity		**235,485**	222,044	227,812
TOTAL LIABILITIES AND EQUITY		**1,997,994**	1,625,597	1,665,673

These financial statements were approved for issue by the Board of Directors on 28 March 2022 and signed on their behalf by:

Nasser Rashid Abdulaziz Almoalla
Chairman

Abdel Mutaleb M H M Aljaede
Chief Executive Officer

STATEMENT OF INCOME

	Notes	For the year ended 31 December 2021 AED '000	2020 AED '000 (Restated)
UNDERWRITING INCOME			
Gross written premiums	21	**900,083**	867,911
Reinsurance premiums ceded	21	**(523,839)**	(496,553)
Net retained premiums		**376,244**	371,358
Net change in unearned premiums, mathematical reserve and policyholders' reserve	21	**(111,250)**	(63,495)
Net earned premium	21	**264,994**	307,863
Gross commission earned		**92,015**	77,649
Total underwriting income		**357,009**	385,512
UNDERWRITING EXPENSES			
Gross claims incurred	13.2	**(685,140)**	(336,569)
Insurance claims recovered from reinsurers	13.2	**533,257**	206,205
Net claims incurred	13.2	**(151,883)**	(130,364)
Commission incurred	15.2	**(91,062)**	(105,899)
Administrative expenses	18	**(90,884)**	(95,018)
Other operational expenses related to underwriting activities	19	**(38,406)**	(46,732)
Net movement in fair value of investments held for unit linked products	12	**34,678**	17,263
Total underwriting expenses		**(337,557)**	(360,750)
UNDERWRITING PROFIT		**19,452**	24,762
Interest income	20	**6,530**	8,054
Other investment loss	20	**(1,101)**	(10,106)
Net investment income /(loss)	20	**5,429**	(2,052)
Provision for doubtful debts	15.1	**(10,062)**	(23,271)
Board of directors' fees	9	**(1,600)**	(3,375)
PROFIT/ (LOSS) FOR THE YEAR		**13,219**	(3,936)
Basic and diluted earnings/ (loss) per share (AED)	3	**0.040**	(0.012)

STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2021	2020
	AED '000	AED '000
		(Restated)
Profit / (loss) for the year	**13,219**	(3,936)
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent years		
Change in fair value of investments held at fair value through other comprehensive income	**222**	(1,832)
Other comprehensive Income / (loss) for the year	**222**	(1,832)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	**13,441**	(5,768)

The attached explanatory notes 1 to 28 form an integral part of these financial statements .

STATEMENT OF CHANGES IN EQUITY

	Attributable to equity shareholders of the Company						
	Share capital AED'000	**Statutory reserve AED'000**	**Special reserve AED'000**	**Reinsurance reserve AED'000**	**Fair value reserve AED'000**	**Accumulated losses AED'000**	**Total equity AED'000**
Balance at 1 January 2021 (As previously reported)	330,939	14,865	14,865	2,266	(11,274)	(34,513)	317,148
Prior period adjustment 1 (Note 27 a)	-	-	-	-	-	(72,270)	(72,270)
Prior period adjustment 2 (Note 27 b)	-	-	-	-	-	(22,834)	(22,834)
Balance at 1 January 2021 (Restated)	330,939	14,865	14,865	2,266	(11,274)	(129,617)	222,044
Profit for the year	-	-	-	-	-	13,219	13,219
Change in fair value of investments held at fair value through other comprehensive income	-	-	-	-	222	-	222
Total comprehensive (loss) / income for the year	-	-	-	-	222	13,219	13,441
Net realised loss on disposal of investments held at fair value through other comprehensive income	-	-	-	-	11,208	(11,208)	-
Transfer to reinsurance reserve	-	-	-	2,619	-	(2,619)	-
Transfer to statutory reserve	-	1,322	-	-	-	(1,322)	-
Transfer to special reserve	-	-	1,322	-	-	(1,322)	-
Balance at 31 December 2021	330,939	16,187	16,187	4,885	156	(132,869)	235,485
Balance at 1 January 2020 (As previously reported)	330,939	14,865	14,865	-	(10,268)	(24,560)	325,841
Prior period adjustment 1 (Note 27 a)	-	-	-	-	-	(75,195)	(75,195)
Prior period adjustment 2 (Note 27 b)	-	-	-	-	-	(22,834)	(22,834)
Balance at 1 January 2020 (Restated)	330,939	14,865	14,865	-	(10,268)	(122,589)	227,812
Loss for the year	-	-	-	-	-	(3,936)	(3,936)
Change in fair value of investments held at fair value through other comprehensive income	-	-	-	-	(1,832)	-	(1,832)
Total comprehensive loss for the year	-	-	-	-	(1,832)	(3,936)	(5,768)
Net realised gain on disposal of investments held at fair value through other comprehensive income	-	-	-	-	826	(826)	-
Transfer to reinsurance reserve	-	-	-	2,266	-	(2,266)	-
Balance at 31 December 2020 (Restated)	330,939	14,865	14,865	2,266	(11,274)	(129,617)	222,044

The attached explanatory notes 1 to 28 form an integral part of these financial statements .

STATEMENT OF CASH FLOWS

	Notes	For the year ended 31 December 2021 AED'000	2020 AED'000 (Restated)
OPERATING ACTIVITIES			
Profit / (loss) for the year		**13,219**	(3,936)
Adjustment for:			
Depreciation and amortisation	18	**10,868**	12,184
Gain on disposal of investments at FVTPL	20	**(2,917)**	(852)
Unrealised loss on investments at FVTPL	20	**978**	9,805
Provision for doubtful debts	15	**10,062**	23,271
Interest income	20	**(6,530)**	(8,054)
Write off of capital work in progress	11.2	**2,387**	-
Dividend income	20	**(527)**	(742)
Gain on sale of property and equipment		**(27)**	-
Interest on lease liabilities	22	**110**	339
Interest on margin trading account		**-**	233
Provision for employees' end of service benefits	23	**3,081**	3,607
Operating cash flows before payment of employees' end of service benefits and changes in working capital		**30,704**	35,855
Changes in workings capital:			
Decrease in insurance and other receivables		**27,856**	48,344
(Increase) /Decrease in reinsurance contract assets		**(343,249)**	50,543
Increase / (Decrease) in insurance contract liabilities		**364,832**	(44,418)
Decrease in insurance and other payables		**(83,317)**	(79,808)
Increase in unit linked assets		**(82,089)**	(94,360)
Increase in payables to policyholders of unit-linked products		**82,089**	94,360
Employees' end of service benefits paid		**(1,170)**	(1,263)
Net cash (used in) / generated from operating activities		**(4,344)**	9,253
INVESTING ACTIVITIES			
Purchase of property and equipment		**1,990**	(2,698)
Proceeds from sale of property and equipment		**27**	-
Purchase of investments held at FVTPL (excluding unit linked assets)		**(8,490)**	(18,183)
Proceeds from disposal of investments held at FVTPL (excluding unit linked assets)		**76,319**	61,930
Proceeds from disposal of investments held at FVTOCI		**7,092**	17,158
Interest received		**5,701**	6,685
Dividend received		**527**	742
Maturities of fixed deposits with banks with original maturities greater than three months		**15,207**	(82,446)
Net cash generated from / (used in) investing activities		**94,393**	(16,812)
FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities		**(2,616)**	(3,988)
Interest paid on lease liabilities		**(110)**	(339)
Interest paid on margin trading account		**-**	(233)
Net cash used in financing activities		**(2,726)**	(4,560)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**87,323**	(12,119)
Cash and cash equivalents at 1 January		**4,558**	16,677
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	6.1	**91,881**	4,558

Non cash items

- During the year ended 31 December 2021, the non cash transaction related to transfer towards addition to intangible assets and property and equipment from capital work in progress amounting to AED 4,199 thousand and AED 833 thousand respectively (31 December 2020: transfer towards addition to intangible assets and property and equipment from capital work in progress amounting to AED 52 thousand and AED 172 thousand respectively).
- During the year ended 31 December 2021, there is transfer on non cash investments amounting to AED

1 CORPORATE INFORMATION

Union Insurance Company P.J.S.C. (the "Company") is incorporated as a public shareholding company and operates in the United Arab Emirates under a trade license issued by the Government of Dubai. The Company is registered under the UAE Federal Law No. (2) of 2015, as amended, relating to commercial companies. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, as amended, concerning establishment of the Insurance Authority and Organisation of its Operations, and is registered with the Insurance Companies Register of the Central Bank of the UAE (formerly, the UAE Insurance Authority), under registration number 67. The Company's registered corporate office is at Single Business Tower, Sheikh Zayed Road, P.O. Box 119227, Dubai, United Arab Emirates ("UAE"). The Company’s ordinary shares are listed on the Abu Dhabi Securities Exchange (“ADX”).

The principal activity of the Company is the writing of insurance of all types including life. The Company operates through its Head Office in Dubai and branch Offices in Abu Dhabi, Dubai, Sharjah, Ajman and Ras Al Khaimah.

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

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

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 28 March 2022. The Directors of the Company have the power to amend and reissue the financial statements.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements are presented in Arab Emirates Dirham (“AED”) and all values are rounded to nearest thousand (“AED’000”) except when otherwise indicated.

The financial statements has been prepared on the historical cost basis except for the financial assets held at fair value through profit or loss (“FVTPL”), financial assets held at fair value through other comprehensive income (“FVTOCI”), unit linked assets (excluding cash held for policyholders) which are measured at fair value and the provision for employees’ end of service benefits which are measured using the projected unit credit method under IAS 19.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current). However, the following balances would generally be classified as current: cash and cash equivalents and bank overdraft. The following balances would generally be classified as non-current: property and equipment, right of use assets, intangible assets, unit linked assets and statutory deposits.

The following balances are of mixed nature (including both current and non-current portions): investment securities, reinsurance contract assets, bank deposits with original maturities of more than three months, insurance and other receivables, insurance contract liabilities, insurance and other payables, payables to policyholders of unit linked products and provision for employees’ end of service benefits.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.2 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS and applicable requirements of United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015, as amended, United Arab Emirates (U.A.E.) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations, as amended, and the UAE Insurance Authority Board of Directors' Decision No. (25) of 2014 pertinent to the Financial Regulations for Insurance Companies.

The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

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

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

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

Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions (Effective date 1 June 2020) - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

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

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

2.3.b New and revised IFRS issued but not yet effective and not early adopted

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient (Effective for annual periods beginning on or after 1 April 2021) - As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.3.b New and revised IFRS issued but not yet effective and not early adopted (continued)

Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (Effective for annual periods beginning on or after 1 January 2022) - Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 (Effective for annual periods beginning on or after 1 January 2023) - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

IFRS 17, 'Insurance contracts' (Effective for annual periods beginning on or after 1 January 2023) - On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17, 'Insurance Contracts'. IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The standard applies to annual periods beginning on or after 1 January 2023, with earlier application permitted if IFRS 15, 'Revenue from contracts with customers' and IFRS 9, 'Financial instruments' are also applied.

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

Amendments to IFRS 17, 'Insurance Contracts' (Effective for annual periods beginning on or after 1 January 2023) - The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.3.b New and revised IFRS issued but not yet effective and not early adopted (continued)

Amendments to IFRS 17, 'Insurance Contracts' (Effective for annual periods beginning on or after 1 January 2023) (continued)

Given the challenges, the Company has taken multiple initiatives till date to ensure the progress of IFRS 17 implementation is in line with the requirements. With the necessary guidance from the Central Bank of the UAE and to successfully implement IFRS 17, the Company has prepared, visualized and strategized the journey to implementing

Given that the Company writes life and non-life business, including unit-linked policies, the Premium Allocation Approach, General Measurement Model and Variable Fee Approach will all be used for IFRS 17 reporting, depending on the nature and term of contracts.

The Company is making reasonable progress in its implementation of IFRS 17 and expects to be fully compliant with the standard by its implementation date.

Management expects that the adoption of IFRS 17 will have a material impact on the amounts reported and disclosures made in its financial statements in respect of its insurance contracts issued and reinsurance contracts held. The impact assessment is evolving at different points in time and the final assessment is expected to be ready during the second quarter of 2022.

However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review post the design phase of implementation which is in progress.

Amendments to IAS 1, 'Presentation of financial statements' – Classification of liabilities as current or non-current (Deferred until accounting periods starting not earlier than 1 January 2024) - These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

The Company is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, if applicable, when they become effective.

There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on or after 1 January 2021 that would be expected to have a material impact on these financial statements.

2.4.1 Insurance contracts

2.4.1.a Product classification

The Company issues contracts that transfer insurance risk or financial risk or both. Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk of at least 10%, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Insurance contracts (continued)

2.4.1.a Product classification (continued)

Some insurance and investment contracts contain discretionary participating features (DPF) which entitle the contract holder to receive, as a supplement to the standard guaranteed benefits, additional benefits or bonuses:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the insurer; and
- That are contractually based on:

(i) the performance of a specified pool of contracts or a specified type of contract;
(ii) realised / unrealised investment returns on a specified pool of assets held by the issuer; or,
(iii) the profit or loss of the Company, fund or other entity that issues that contract.

Under IFRS 4, DPF can be either treated as an element of equity or as a liability or can be split between the two elements. The Company's policy is to treat all DPF as a liability within insurance or investment contract liabilities.

The policyholder bears the financial risks relating to some insurance contracts or investment contracts. Such products are usually unit-linked contracts.

2.4.1.b Recognition and measurement

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

(i) Short-term insurance contracts

These contracts are medical, motor, property, marine, engineering, general accident as well as short-duration life insurance contracts.

Short-duration life insurance contracts protect the Company's customers from the consequences of events such as, but not limited to, death or disability.

In respect of short term insurance contracts, premium are recognised as revenue (earned premiums) proportionately over the period of coverage with the exception of marine cargo, where it is assumed that each policy is earned fully in the quarter following the quarter in which it was written; hence the unearned premium reserve ("UPR") at the end of a particular quarter will be equal to the written premium in that quarter and engineering where UPR is calculated on increasing risk basis as required in the Financial Regulations issued by the CBUAE (formerly, the IA). The portion of the premium received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of the commission.

Claims and loss adjustment expenses are charged to the statement of income as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct claims settlement costs which arise from events that have occurred up to the end of the reporting period even if they have not been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). Insurance contract liabilities also include reinsurance share of third party recoveries that are outstanding but not yet confirmed for the by the respective insurance companies against the recoveries of claims that were already received by the Company. Once the third party recoveries are confirmed, they are reclassified to "Due to reinsurance companies" within "Insurance and other payables" on the statement of statement of financial position.

Unallocated loss adjustment expense reserves correspond to the provision representing future claim expenses and related handling costs that are not specific to a claim. It represents all other expenses and costs that are related to the adjudication of claims but cannot be assigned to a specific claim.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Insurance contracts (continued)

2.4.1.b Recognition and measurement (continued)

(ii) Long-term insurance contracts with fixed and guaranteed terms

The Company writes long-term term assurance policies, where a single or regular premium is paid by the policyholder in exchange for a fixed death benefit paid on death before the end of the term of the policy.

The Company also writes long term credit life policies, where a single or monthly premium is paid by the policyholder in exchange for a death benefit, linked to a specified loan or mortgage, paid on death before the end of the term of the policy.

Premiums are recognised as revenue when they become payable by the contract holder. Premiums are shown before deduction of commission. Policy benefits are recorded as an expense when they are incurred.

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. The liability is based on assumptions such as mortality and investment performance. A conservative approach is used to determine the assumptions so as to ensure adequate margin in the results.

Where insurance contracts have a single premium or a limited number of premium payments due over a significantly shorter period than the period during which benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contracts in force or, for annuities in force, in line with the decrease of the amount of future benefits expected to be paid. The liabilities are recalculated at each end of the reporting period using the assumptions established at inception of the contracts.

(iii) Long-term unit linked insurance contracts

The Company writes long term unit-linked term assurance and whole of life policies, where regular policyholder premiums are invested into funds selected by the policyholder, in return for a death, maturity or surrender benefit payable to the policyholder.

The benefits payable to the policyholder may be a fixed sum assured, or an amount based on the value of the policyholder's unit fund, depending on the product type chosen by them. Liabilities are set equal to the policyholders' account value in addition to liabilities calculated against the insurance risk embedded in the products and recorded as "Payables to policyholders' of unit linked products" in the statement of financial position. These account values are affected by factors including but not limited to: payment of policy premiums, changes in the unit prices, policy administration fees, mortality charges, surrender charges and any withdrawals.

The liability for these contracts includes any amounts necessary to compensate the Company for services to be performed over future periods. This is the case for contracts where the policy administration charges are higher in the initial years than in subsequent years. The mortality charges deducted in each period from the contract holders are considered adequate to cover the expected total death benefit claims in excess of the contract account balances in each period; no additional liability is therefore established for these claims.

A unit-linked insurance contract is an insurance contract with an embedded derivative linking payments on the contract to units of investments. This embedded derivative meets the definition of an insurance contract and is not therefore accounted for separately from the host insurance contract. The liability for such contracts is adjusted for all changes in the fair value of the underlying assets.

(a) Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses, when incurred. The DAC is subsequently amortised over the life of the contract

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Insurance contracts (continued)

2.4.1.b Recognition and measurement (continued)

(b) Liability adequacy test

At the end of the reporting period, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of related DAC. In performing these tests, current best estimates of future contractual cash flows, claims handling, administration expenses and other associated expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of income by establishing a provision for losses arising from liability adequacy tests ("the unexpired risk provisions").

(c) Reinsurance contracts held

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

These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

The Company assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Company reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for insurance receivables. The impairment loss is calculated following the same method used for these financial assets.

The Company also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premium and claims on assumed reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance assets also include third party recoveries that are outstanding but not yet confirmed by the respective insurance companies against the claims that were already paid by the Company. Once the third party recoveries are confirmed, they are reclassified to "Due from insurance companies" within "Insurance and other receivables" on the statement of financial position.

(d) Salvage and subrogation reimbursements

Some insurance contracts permit the Company to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Company may also have the right to pursue third parties for payment of some or all costs (for example, subrogation).

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims, and salvage property is recognised in other assets when the liability is settled. The allowance is the amount that can reasonably be recovered from the disposal of the asset.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.1 Insurance contracts (continued)

2.4.1.b Recognition and measurement (continued)

(e) Provision for default claims and refunds

The Company recorded the provision for default claims and refunds relating to credit life insurance policies within Insurance contract liabilities. This provision is for the additional benefits covered in the specific credit life policies towards skip and disappearance of the customers.

2.4.2 Revenue recognition

(a) Interest income

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

(b) Dividend income

Dividend income from investments is recognised in the statement of income when the Company's right to receive dividend has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

(c) Reinsurance commission earned

Commissions earned are recognised fully at the time the related insurance contracts are written.

2.4.3 Foreign currencies

2.4.3.1 Functional and presentation currency

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

2.4.3.2 Transactions and balances

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.4 Segment reporting

For management purposes, the Company is organised into two business segments based on their products and services and has two business segments as follows:

a) The general insurance segment comprises of property, fire, marine, motor, medical, general accident and miscellaneous risks.
b) The life assurance segment offers short term and long term life insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income, investment income and fair value gains and losses on investments.

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred during the year ended 31 December 2021 and 2020. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The two operating segments i.e General Insurance and Life Insurance segments, oraganised under two Presidents who report into the Chief Executive Officer. The Board and its various committes have oversight on the overall operations of the company.

2.4.5 Property and equipment

Property and equipment comprises of freehold land, furniture and fixture, office equipment, motor vehicles, computer equipment and capital work in progress.

Property and equipment is carried at historical cost, less accumulated depreciation any recognised impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items. These assets are classified to the appropriate categories of property and equipment when completed and ready for their intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

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

Freehold land is not depreciated.

Capital work in progress is stated at the lower of cost or net realisable value. The cost includes the cost of construction and other related expenditure which are capitalised as and when activities that are necessary to get the assets ready for use are in progress. Net realisable value represents the estimated recoverable value based on expected future usage. Management reviews the carrying values of the capital work in progress on an annual basis.

Capital work in progress are considered to be completed when all related activities, for the entire assets have been completed. Upon completion, those are transferred to property and equipment.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.5 Property and equipment (continued)

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

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

The useful life considered in calculation of depreciation for all the assets is 5 years.

2.4.6 Intangible assets

Intangible assets including software and license fee for access to know how.

(a) Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:
- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 5 years.

(b) License know how

Licences know how is shown at historical cost. It has a definite useful life and is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost licence over their estimated useful lives ie 5 years.

2.4.7 Leases

The Company leases office premises. Rental contract of the leases range from 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreement does not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability within “Insurance and other payables” at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is depreciated over shorter of the asset’s useful life or the lease term on a straight-line basis.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.7 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income.

Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For buildings, the following factors are normally the most relevant.
- if there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- if any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate); and
- otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Termination option is included in the property lease of the Company. This option held is exercisable by the Company and the lessor.

Payments associated with short-term leases of premises are recognised on a straight-line basis as an expense in statement of income. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

2.4.8 Dividend distribution

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.9 Financial instruments

(a) Investments and other financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:
• those to be measured subsequently at fair value (either through OCI or through profit or loss), and
• those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in statement of income or statement of other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is calculated using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in 'Net investment income/ (loss)' together with foreign exchange gains and losses. Impairment losses are included within 'Net investment income/(loss)' in the statement of income.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in the income statement and is presented net within 'Net investment income' in the period in which it arises.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net investment income'. Interest income from these financial assets is calculated using the effective interest rate method. Foreign exchange gains and losses are presented in 'Net investment income'.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.9 Financial instruments (continued)

(iii) Measurement (continued)

Equity investments

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

The unit-linked assets include investments held on behalf of policyholders of unit linked products, financial assets from reinsurer towards policyholders of unit linked products contracts and cash held on behalf of policyholders. Investments held on behalf of policyholders of unit linked products and financial assets from reinsurer towards policyholders of unit linked products contracts are accrued to the account of the contract holder at the fair value of the net gains arising from the underlying linked assets. All these contracts are designated as at fair value through profit or loss and were designated in this category upon initial recognition. Cash held on behalf of policyholders are designated as amortised cost investment designated in this category upon initial recognition.

Impairment and uncollectibility of financial assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Refer to (b) below for impairment of insurance and other receivables.

(b) Insurance and other receivables

Insurance and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment losses, if any. A provision for doubtful debts of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The carrying amount of the receivable is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of income. When a receivable is uncollectible, it is written off against the allowance account for that receivable. Subsequent recoveries of amounts previously written off are credited in the statement of income.

(c) Financial liabilities

The Company recognises a financial liability when it first becomes a party to the contractual rights and obligations in the contract.

All financial liabilities are initially recognised at fair value, minus (in the case of a financial liability that is not at FVTPL) transaction costs that are directly attributable to issuing the financial liability. Financial liabilities are measured at amortised cost, unless the Company opted to measure a liability at FVTPL.

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.9 Financial instruments (continued)

Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

(d) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value less overdrafts with banks. Bank overdrafts are shown within liabilities in the statement of financial position.

(e) Bank deposits with banks with original maturities of more than three months

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

2.4.10 Impairment of non-financial assets (excluding goodwill)

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognised in the statement of income.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

2.4.12 Employees' end of service benefits

Provision for employees' end of service benefits

The Company provides end of service benefits to its expatriate employees in accordance with the UAE Labor Law which is calculated annually using the projected unit credit method in accordance with IAS 19. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using profit rates on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

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

Defined contribution plan for UAE national employees

The Company is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the statement of income, in accordance with the provisions of Federal Law No. 7 of 1999 relating to pension and Social Security Law. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to statement of income.

An accrual has been made for the past contributions relating to the services rendered by the eligible UAE National employees up to 31 December 2021. The Company has no further payment obligations once the contributions have been paid.

2.4.13 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies (continued)

2.4.14 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Company of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4.15 General and administration expenses

Direct expenses of general insurance business are charged to respective departmental revenue accounts and is charged to statement of income.

2.4.16 Share capital

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

2.5 Critical accounting judgements and key sources of estimation of uncertainty

In the application of the Company's accounting policies, which are described in note 2.4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The sensitivities for life insurance contracts are disclosed in note 13.10 and for general insurance contracts are disclosed in note 25.1.4

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.5.1 The ultimate liability arising from claims made under insurance contracts

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

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

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

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

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

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

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

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

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (continued)

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

2.5.2 Mathematical reserves

Liabilities pertaining to the long-term insurance contracts are determined based on standard actuarial principles. The liability is determined based on the actuarial present value of future cashflows. These cashflows are based on factors, including but not limited to; policy benefits, expected future mortality and the structure of the product. Additional liabilities are determined for supplementary benefits attached to the base policy.

The Company bases the mortality and morbidity estimates on standard tables that best reflect historical experience, adjusted where appropriate to reflect the Company's own experience. A67 – 70 Ultimate Mortality Table of Assured Lives and a discount rate of 1% are used for the purpose of discounting the liabilities (31 December 2020: 1%).

2.5.3 Classification of freehold land

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

2.5.4 Impairment of freehold land

At each reporting date or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indication that freehold land is impaired. If such an indication exists, the recoverable amount of the asset is estimated using fair value less costs of disposal and/or value in use calculations as appropriate. If the carrying amount of an asset exceeds its recoverable amount, an impairment charge is recognised to reduce the asset to its recoverable amount. Such impairment charges are recognised in the consolidated statement of income.

2.5.5 Impairment of insurance receivables

The Company reviews its insurance receivables to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the statement of income, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from receivables. A provision for doubtful debts of insurance receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to their original terms. (Refer to note 2.4.9.b) Receivables arising from reinsurance contracts are also reviewed for impairment as part of the impairment review of receivables.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit/(loss) for the year, by the weighted average number of shares outstanding during the year as follows:

	For the year ended 31 December	
	2021	2020 (Restated)
Profit/ (loss) for the year (AED'000)	**13,219**	(3,936)
Weighted average number of shares outstanding during the year ('000)	**330,939**	330,939
Earnings/ (loss) per share (AED)	**0.040**	(0.012)

No figures for diluted earnings per share are presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised, as such diluted earnings per share is equivalent to basic earnings per share.

4 INVESTMENT SECURITIES AND UNIT LINKED ASSETS

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Financial assets at fair value through profit or loss (Note 4.1)	**47,871**	106,384
Financial assets at fair value through other comprehensive income (Note 4.2)	**17**	6,887
	47,888	113,271
Unit linked assets (Note 4.3)	**368,887**	286,798

4.1 Financial assets at fair value through profit or loss

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000
Quoted equity securities in U.A.E.	**19,668**	71,287
Quoted equity securities outside U.A.E.	**570**	500
Quoted bonds in U.A.E.	**16,450**	22,118
Investment in funds outside U.A.E.	**7,364**	5,083
Unquoted equity securities outside U.A.E.	**426**	2,937
Unquoted equity securities in U.A.E.	**3,393**	4,459
	47,871	106,384

Investments classified at fair value through profit or loss are designated in this category upon initial recognition.

The bonds carry interests at the rates of 2.09% to 5.87% (31 December 2020: 2.09% to 5.87%) per annum. The bonds are redeemable at par from 2022 to 2026 (31 December 2020: 2021 to 2026) based on their maturity dates. There are no significant concentrations of credit risk to a single counter party for debt instruments and the carrying amount reflected above represents the Company's maximum exposure to credit risk for such assets.

4 INVESTMENT SECURITIES AND UNIT LINKED ASSETS (continued)

4.2 Investments at fair value through other comprehensive income

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000
Quoted equity securities in U.A.E.	**17**	6,587
Unquoted equity securities in U.A.E.	**-**	300
	17	6,887

Investments classified at fair value through other comprehensive income are designated in this category upon initial recognition.

During the year ended 31 December 2021, the Company sold equity investments held at fair value through other comprehensive income amounting to AED 7,092 thousand at the time of sale (31 December 2020: AED 17,158 thousand) in line with the Company's investment strategy. The Company realised loss of AED 11,208 thousand (31 December 2020: loss of AED 826 thousand) which was transferred to accumulated losses.

4.3 Unit linked assets

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Investments held on behalf of policyholders of unit linked products carried at FVTPL	**231,059**	175,590
Financial assets due from reinsurer towards policyholders of unit-linked products carried at FVTPL	**124,474**	88,984
Cash held on behalf of policyholders of unit linked products carried at amortised cost	**13,354**	22,224
	368,887	286,798

4.4 Investment Concentration

The CBUAE has set a maximum limit for aggregate exposure in various categories of investments. As at 31 December 2021, the Company was in compliance with this requirement. As at 31 December 2020, the Company had investments more than the limits set in some categories, particularly equity instruments within and outside the UAE, and deposits and other debt instruments.

4 INVESTMENT SECURITIES AND UNIT LINKED ASSETS (continued)

4.5 Movement in the financial investments

	FVTPL AED'000	**FVTOCI AED'000**	**Total AED'000**
At 1 January 2020	159,084	25,877	184,961
Purchases	18,183	-	18,184
Disposals	(60,095)	(17,158)	(77,253)
Maturities	(1,835)	-	(1,835)
Movement in accrued interest	60	-	59
Changes in fair value	(9,865)	(1,006)	(10,871)
Realised gain/(loss)	852	(826)	26
As at 31 December 2020	**106,384**	**6,887**	**113,271**
Purchases	**8,490**	**-**	**8,490**
Transfers	**7,364**	**-**	**7,364**
Disposals	**(69,294)**	**(7,092)**	**(76,386)**
Maturities	**(7,025)**	**-**	**(7,025)**
Movement in accrued interest	**13**	**-**	**13**
Changes in fair value	**(978)**	**(18)**	**(996)**
Realised gain	**2,917**	**240**	**3,157**
As at 31 December 2021	**47,871**	**17**	**47,888**

Reconciliation of Level 3 fair value measurement of financial assets measured at FVTOCI and FVTPL.

	FVTPL AED'000	**FVTOCI AED'000**	**Total AED'000**
At 1 January 2020	6,899	300	7,199
Changes in fair value	497	-	497
As at 31 December 2020	**7,396**	**300**	**7,696**
Disposals	**(754)**	**-**	**(754)**
Provision for doubtful debts	**-**	**(300)**	**(300)**
Changes in fair value	**(2,823)**	**-**	**(2,823)**
As at 31 December 2021	**3,819**	**-**	**3,819**

4.6 FAIR VALUE MEASUREMENT

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

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

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

4 INVESTMENT SECURITIES AND UNIT-LINKED ASSETS (continued)

4.6 FAIR VALUE MEASUREMENT (continued)

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

4.6.a Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values due to their short term nature.

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

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

4 INVESTMENT SECURITIES AND UNIT LINKED ASSETS (continued)

4.6 FAIR VALUE MEASUREMENT (continued)

4.6.c Fair value of the Company's financial assets and unit linked liabilities that are measured at fair value on recurring basis

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

	Fair value as at					
	31 December 2021 AED'000	31 December 2020 AED'000 (Restated)	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Financial assets measured at FVTPL						
Quoted equity securities	**20,238**	71,787	Level 1	Quoted bid prices in an active market	None	Not applicable
Quoted bonds	**16,450**	22,118	Level 2	Quoted prices in secondary market	None	Not applicable
Unquoted equity securities	**3,819**	7,396	Level 3	Based on net assets value of underlying investments and last traded price in 2021	Yes	Increase in net asset value increases fair value
Investment in funds	**7,364**	5,083	Level 2	Quoted prices in secondary market	None	Not applicable
Investments held on behalf of policyholders of unit linked products (Note 4.3)	**231,059**	175,590	Level 2	Quoted prices in secondary market	None	Not applicable
Due from reinsurers towards policyholders of unit linked products (Note 4.3)	**124,474**	88,984	Level 2	Quoted prices in secondary market	None	Not applicable
Financial assets measured at FVTOCI						
Quoted equity securities	**17**	6,587	Level 1	Quoted bid prices in an active market	None	Not applicable
Unquoted equity securities	**-**	300	Level 3	Net assets value	Yes	Increase in net asset value increases fair value
Financial liabilities measured at FVTPL						
Unit linked liabilities	**355,533**	264,574	Level 2	Quoted prices in secondary market	None	Not applicable

There were no transfers between levels or categories during the year. There are no other financial liabilities apart from the liabilities disclosed above which should be categorised under any of the levels in the above table.

4 INVESTMENT SECURITIES AND UNIT LINKED ASSETS (continued)

4.6 FAIR VALUE MEASUREMENT (continued)

4.6.c Fair value of the Company's financial assets that are measured at fair value on recurring basis (continued)

The treasury department of the Company has a team that performs the valuations of investment securities and unit linked assets required for financial reporting purposes, including level 3 investments. This team reports directly to the Chief Financial Officer ("CFO") and the investment committee ("IC"). Discussions regarding the valuation processes and the results are held between the CFO, IC and the valuation team on an annual basis.

The main level 3 inputs used by the Company are derived and evaluated by taking into account the net assets values and last traded prices.

5 STATUTORY DEPOSIT

The statutory deposit of AED 10 million (31 December 2020: AED 10 million) is required to be placed by insurance companies operating in the U.A.E. with the designated national banks. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the CBUAE (formerly, the IA) for the same amount.

Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the CBUAE (formerly, the IA) in accordance with Article 42 of Federal Law No. 6 of 2007, as amended and bear interest rates ranging between 0.6% and 0.68% per annum (31 December 2020: 1.15% and 1.6% per annum).

6 CASH AND BANK BALANCES

6.1 Cash and cash equivalents

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Cash in hand	**50**	50
Bank balances:		
Current accounts with banks	**91,831**	2,560
Bank deposits with original maturities of three months or less	**-**	2,532
Cash and cash equivalents	**91,881**	5,142
Less: Bank overdraft	**-**	(584)
Cash and cash equivalents for the purpose of the statement of cash flows	**91,881**	4,558
In U.A.E.	**91,302**	3,870
Outside U.A.E	**579**	688
	91,881	4,558

Bank deposits with original maturities of three months or less as at 31 December 2020 carried interest rate of 0.42% per annum.

6 CASH AND BANK BALANCES (continued)

6.2 Bank deposits with original maturities of more than three months

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Deposits with original maturities greater than three months	**205,965**	220,343
In U.A.E.	**172,760**	188,635
Outside U.A.E.	**33,205**	31,708
	205,965	220,343

Bank deposits carried interest rates ranging from 0.15% to 8.5% per annum (31 December 2020: 0.68% to 8.5% per annum). Bank deposits of AED 46.4 million (31 December 2020: AED 21 million) have been pledged as security against the overdraft facility which is to manage the liquidity position.

The Company has obtained overdraft facilities from commercial banks in the UAE amounting to AED 28 million (31 December 2020: AED 13 million) which carry interest rates ranging from 0.5% to 1% per annum above the highest interest rate payable on fixed deposits under lien for the overdraft facility; or as varied by notice in writing received from the bank from time to time. Unused credit facilities amounted to AED 28 million (31 December 2020: AED 12.4 million).

7 SHARE CAPITAL

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000
Issued and fully paid 330,939,180 shares of AED 1 each (31 December 2020: 330,939,180 share of AED 1 each)	**330,939**	330,939

8 RESERVES

NATURE AND PURPOSE OF RESERVES

8.1 Statutory reserve

In accordance with the UAE Commercial Companies Law and the Company's Article of Association, the Company has resolved not to increase the statutory reserve above an amount equal to 50% of its paid up share capital. The Company transfers 10% of the profits for each year to the statutory reserve. The Company transferred AED 1,322 thousand during the year ended 31 December 2021 and no transfers were made during the year ended 31 December 2020 because the Company incurred losses during the year ended 31 December 2020. The reserve is not available for distribution except in the circumstances stipulated by the law.

8.2 Special reserve

In accordance with the Company's Articles of Association, the Board of Directors may transfer 10% of annual net profits, if any, to a special reserve until an Ordinary General Meeting upon a proposal suspends it. The special reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors. The Company transferred AED 1,322 thousand during the year ended 31 December 2021 and no transfers were made during the year ended 31 December 2020 since the Company incurred losses.

8 RESERVES (continued)

8.3 Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

8.4 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has transferred AED 2,619 thousand from 'Accumulated losses' to the 'Reinsurance reserve' being 0.5% of the total insurance premium ceded to reinsurers during the year ended 31 December 2021 (year ended 31 December 2020: AED 2,266 thousand). The Company shall accumulate such provision period on period and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within the CBUAE.

9 RELATED PARTY BALANCES AND TRANSACTIONS

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24. Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel. The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

At the end of the reporting year, amounts due from/(to) related parties which are included in the respective account balances are detailed below:

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Balances with former major shareholder		
Premium receivables (Note 15)	**26,508**	26,173
Allowance for doubtful receivables (Note 15)	**(26,310)**	(26,173)
Net premium receivables	**198**	-
Gross outstanding claims (included in claims reported unsettled)	**444**	3,130
Investment properties reclassified to "Advance paid for purchase of real estate properties"	**72,270**	72,270
Reversal of net fair value gains recorded in prior years (Note 27 a)	**(35,770)**	(35,770)
Advance paid for purchase of real estate properties (Note 15)*	**36,500**	36,500
Provision on advance paid for purchase of real estate properties (Note 15 and note 27 a)*	**(36,500)**	(36,500)
	-	-

The amounts outstanding are unsecured, interest free and repayable on demand. No guarantees have been given to the related parties.

* The amount under the advance paid for real estate properties (AED 36.5 million) was represented as Investment Properties with a carrying value in the books of AED 72.3 million in the audited financial statements for the year ended 31 December 2020. The said asset represents purchased assets from related parties during the years 2013 and 2014. The purchased assets comprise a 60 residential-unit in a single building and a plot of land of 150,000 square feet with integrated infrastructure. For one of the assets, the agreement was entered in 2013 to purchase 150,000 square feet of the land, which was reduced to 56,800 square feet and later amended to 78,900 square feet based on the instruction received from the former Chairman who was also the representative of the related party.

9 RELATED PARTY BALANCES AND TRANSACTIONS (continued)

The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer), and as a result the Company did not obtain the title deeds nor obtain possession of the said assets. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and the misappropriation of advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties. Accordingly, the Board of Directors of the Company decided to book a full provision (AED 72.3 million) against the said assets and proceed with legal action against all involved parties, to recover the Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

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

	For the year ended 31 December	
	2021	2020
	AED'000	AED'000
		(Restated)
Transactions with former major shareholder		
Premiums written	**1,299**	1,780
Claims paid	**(897)**	(1,015)
Compensation of key management personnel		
Short-term benefits	**(4,388)**	(3,900)
Long-term benefits	**(200)**	(200)
Board of Directors' fees	**(1,600)**	(3,375)
Board committee fees	**-**	(600)

The Board of Directors's fees for the year ended 31 December 2020 represents fees paid to the previous Board of Directors on which a recovery action has been initiated.

10 CONTINGENT LIABILITIES

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000
Letters of guarantee*	**15,790**	21,121

*Includes AED 10 million (31 December 2020: AED 10 million) issued in favour of the CBUAE (formerly, the IA) (Note 5).

The Company, in common with the majority of insurers, is subject to litigation in the normal course of its business. Based on independent legal advice, the Company considers that the outcome of the outstanding court cases will not have a material impact on the Company's financial statements.

11 PROPERTY AND EQUIPMENT

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000
		(Restated)
Operating assets (Note 11.1)	**67,331**	67,860
Capital work in progress (Note 11.2)	**3,115**	12,061
Property and equipment	**70,446**	79,921

11 PROPERTY AND EQUIPMENT (continued)

11.1 Operating assets

	Freehold land*	Furniture and fixtures	Office equipment	Motor vehicles	Computer equipment	Total operating assets
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
Cost:						
At 1 January 2020 (as previously reported)	83,901	15,686	2,670	872	9,325	112,454
Prior year adjustment (Note 27 b)	(22,834)	-	-	-	-	(22,834)
At 1 January 2020 (Restated)	**61,067**	**15,686**	**2,670**	**872**	**9,325**	**89,620**
Additions	-	540	55	-	373	968
At 31 December 2020 (Restated)	**61,067**	**16,226**	**2,725**	**872**	**9,698**	**90,588**
Additions	-	727	81	-	183	991
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021	**61,067**	**16,953**	**2,806**	**822**	**9,881**	**91,529**
Accumulated Depreciation						
At 1 January 2020	-	9,798	2,446	464	8,546	21,254
Charge for the year	-	913	100	149	312	1,474
At 31 December 2020	**-**	**10,711**	**2,546**	**613**	**8,858**	**22,728**
Charge for the year	-	968	83	138	331	1,520
Disposals	-	-	-	(50)	-	(50)
At 31 December 2021	**-**	**11,679**	**2,629**	**701**	**9,189**	**24,198**
Carrying amounts:						
At 31 December 2020 (Restated)	**61,067**	**5,515**	**179**	**259**	**840**	**67,860**
At 31 December 2021	**61,067**	**5,274**	**177**	**121**	**692**	**67,331**

*During 2018, development work in progress which represent payments made for acquiring investment in the Meydan Real Estate Project based in UAE with a carrying value of AED 82,045 thousand ("freehold land") was transferred to operating assets. In 2019, the ownership and the title deed were transferred in the name of the Company. During the year ended 31 December 2021, the Company restated the value of the freehold land to AED 59,210 thousand (Refer note 27 b for the restatement in regards to the carrying amount of the freehold land) .

The Board of Directors of the Company has passed a resolution to construct the Company's head-office on the freehold land. The freehold land is carried at cost.

11.2 Capital work in progress

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000
At 1 January	**12,061**	10,384
Additions	**1,832**	1,902
Write offs during the year	**(2,387)**	-
Reversals during the year	**(3,359)**	-
Transfers during the year	**(5,032)**	(225)
At 31 December	**3,115**	12,061

12 PAYABLES TO POLICYHOLDERS OF UNIT LINKED PRODUCTS

The Company issues unit linked policies which have both insurance risk and investment components. The investment portion is invested on behalf of the policyholders as disclosed in note 4.3 of these financial statements.

Movement during the year:

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
As at 1 January	**286,798**	192,438
Purchase	**108,368**	108,089
Sales	**(58,521)**	(23,842)
Other charges	**(2,436)**	(7,150)
Change in fair value of the unit linked products	**34,678**	17,263
	368,887	286,798

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Gross insurance contract liabilities		
Claims reported unsettled	**579,170**	245,666
Claims incurred but not reported	**100,358**	117,418
Unallocated loss adjustment expense reserve	**6,974**	4,095
Unexpired risk reserve	**8,048**	2,181
Third party recoveries	**3,544**	3,620
Mathematical reserve	**139,040**	107,721
Unearned premiums	**253,786**	245,387
Provision for default claims and refunds	**14,329**	14,329
Gross insurance contract liabilities	**1,105,249**	740,417
Reinsurance contract assets		
Claims reported unsettled	**(506,533)**	(188,746)
Claims incurred but not reported	**(65,379)**	(71,603)
Unexpired risk reserve	**2,672**	7,804
Third party recoveries	**(8,163)**	(10,212)
Mathematical reserve	**(119,373)**	(92,932)
Unearned premiums	**(134,738)**	(132,576)
Total reinsurance contract assets	**(831,514)**	(488,265)
Net		
Claims reported unsettled	**72,637**	56,920
Claims incurred but not reported	**34,979**	45,815
Unallocated loss adjustment expense reserve	**6,974**	4,095
Unexpired risk reserve	**10,720**	9,985
Third party recoveries	**(4,619)**	(6,592)
Mathematical reserve	**19,667**	14,789
Unearned premiums	**119,048**	112,811
Provision for default claims and refunds	**14,329**	14,329
Net insurance contract liabilities	**273,735**	252,152

The gross and net insurance contract liabilities of AED 1,079,213 thousand and AED 259,406 thousand respectively as at 31 December 2021 (31 December 2020: AED 712,256 thousand and AED 237,823 thousand respectively) were certified by the Company's external appointed actuary. The difference in actuarial certification and the above amounts is on account of provision for default claims and refunds, third party recoveries against outstanding claims and paid claims. The changes in the methodologies and assumptions are detailed in note 25.1.4 of the financial statements. Actuarial estimation of the insurance liabilities has been performed by an independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No.6 of 2007, as amended, pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.1 Gross and net claims incurred

	For the year ended 31 December					
	General		**Life**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000 (Restated)
Gross claims incurred						
Claims settled during the year	**(271,836)**	(297,752)	**(88,190)**	(57,703)	**(360,026)**	(355,455)
Movement in claims reported unsettled	**(308,642)**	26,454	**(24,862)**	(8,967)	**(333,504)**	17,487
Movement in claims incurred but not reported	**17,904**	6,733	**(844)**	(5,024)	**17,060**	1,709
Movement in unallocated loss adjustment expense reserve	**(2,181)**	352	**(698)**	(192)	**(2,879)**	160
Movement in unexpired risk reserve	**1,405**	(1,734)	**(7,272)**	662	**(5,867)**	(1,072)
Movement in third party recoveries	**76**	602	**-**	-	**76**	602
	(563,274)	(265,345)	**(121,866)**	(71,224)	**(685,140)**	(336,569)
Insurance claims recovered from reinsurers						
Reinsurance share of claims settled during the year	**143,768**	184,607	**74,843**	50,043	**218,611**	234,650
Movement in reinsurance share of claims reported unsettled	**294,310**	(39,009)	**23,477**	8,014	**317,787**	(30,995)
Movement in reinsurance share of claims incurred but not reported	**(6,950)**	1,587	**726**	5,303	**(6,224)**	6,890
Movement in reinsurance share of unexpired risk reserve	**(2,140)**	2,116	**7,272**	(347)	**5,132**	1,769
Movement in reinsurance share of third party recoveries	**(2,049)**	(6,109)			**(2,049)**	(6,109)
	426,939	143,192	**106,318**	63,013	**533,257**	206,205
Net claims incurred	**(136,335)**	(122,153)	**(15,548)**	(8,211)	**(151,883)**	(130,364)

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.2 Development claim tables

The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of total claims reported unsettled and claims incurred but not reported for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The following tables illustrate the Company's estimate of total claims reported unsettled and claims incurred but not reported for the years from Prior to 2015 to 2021.

Gross incurred claims

Accident year	**2015 and prior**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year	262,024	465,877	521,591	488,199	452,906	432,109	738,020	3,360,726
One year later	422,401	455,472	525,694	461,093	404,673	404,753	-	2,674,086
Two years later	430,742	449,009	542,901	438,368	391,182	-	-	2,252,202
Three years later	434,680	451,401	525,402	427,437	-	-	-	1,838,920
Four years later	395,487	448,419	526,553	-	-	-	-	1,370,459
Five years later	386,245	444,834	-	-	-	-	-	831,079
Six years later	379,528	-	-	-	-	-	-	379,528
Estimate of cumulative claims	379,528	444,834	526,553	427,437	391,182	404,753	738,020	3,312,307
Cumulative payments to date	(373,172)	(436,038)	(494,548)	(419,300)	(364,476)	(314,041)	(243,327)	(2,644,902)
2014 and prior	-	-	-	-	-	-	-	3,960
TP recoveries against paid claims	120	441	713	246	214	575	5,854	8,163
Total gross reserves included in the statement of financial position	6,356	9,237	32,718	8,383	26,920	91,287	500,547	679,528

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.2 Development claim tables (continued)

Net incurred claims

Accident year	**2015 and prior**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
At the end of each reporting year	141,189	202,147	242,311	198,735	176,266	145,162	171,164	1,276,974
One year later	169,337	219,345	257,480	192,418	165,556	132,443	-	1,136,579
Two years later	178,575	224,991	259,920	188,247	159,668	-	-	1,011,401
Three years later	183,377	226,115	256,282	186,144	-	-	-	851,918
Four years later	185,143	225,336	257,054	-	-	-	-	667,533
Five years later	185,365	225,554	-	-	-	-	-	410,919
Six years later	185,409	-	-	-	-	-	-	185,409
Estimate of cumulative claims	185,409	225,554	257,054	186,144	159,668	132,443	171,164	1,317,436
Cumulative payments to date	(182,970)	(222,969)	(251,106)	(182,354)	(155,206)	(116,254)	(105,664)	(1,216,523)
2014 and prior	-	-	-	-	-	-	-	2,084
TP recoveries against paid claims	120	441	709	206	128	291	2,724	4,619
Total net reserves included in the statement of financial position	2,559	3,026	6,657	3,996	4,590	16,480	68,224	107,616

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.3 Movement of claims reported unsettled, claims incurred but not reported and loss adjustment expenses

	2021 AED'000			2020 AED'000		
	Gross	**Reinsurers' share**	**Net**	**Gross**	**Reinsurers' share**	**Net**
Claims reported unsettled	**245,666**	**(188,746)**	**56,920**	263,153	(219,741)	43,412
Claims incurred but not reported	**117,418**	**(71,603)**	**45,815**	119,127	(64,713)	54,414
Total at the beginning of the year	**363,084**	**(260,349)**	**102,735**	382,280	(284,454)	97,826
Cash paid for claims settled during the year (Note 13.1)	**(360,026)**	**218,611**	**(141,415)**	(355,455)	234,650	(120,805)
Changes in liabilities:						
Arising from current year claims	**738,020**	**(566,856)**	**171,164**	432,128	(286,961)	145,167
Arising from prior year claims	**(61,550)**	**36,682**	**(24,868)**	(95,869)	76,416	(19,453)
Total at the end of the year	**679,528**	**(571,912)**	**107,616**	363,084	(260,349)	102,735
Claims reported unsettled	**579,170**	**(506,533)**	**72,637**	245,666	(188,746)	56,920
Claims incurred but not reported	**100,358**	**(65,379)**	**34,979**	117,418	(71,603)	45,815
Total at the end of the year	**679,528**	**(571,912)**	**107,616**	363,084	(260,349)	102,735

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.4 Unearned premiums

Movement of unearned premiums during the years ended 31 December 2021 and 2020 was as follows:

	For the year ended 31 December					
	Gross		Reinsurers' share		Net	
	2021	2020	**2021**	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
At the beginning of the year	**245,387**	279,970	**(132,576)**	(161,320)	**112,811**	118,650
Premiums written during the year (Note 21)	**900,083**	867,911	**(523,839)**	(496,553)	**376,244**	371,358
Premiums earned during the year	**(891,684)**	(902,494)	**521,677**	525,297	**(370,007)**	(377,197)
At the end of the year	**253,786**	245,387	**(134,738)**	(132,576)	**119,048**	112,811

13.5 Unexpired risk reserve

Movement of unexpired risk reserve during the years ended 31 December 2021 and 2020 was as follows:

	For the year ended 31 December					
	Gross		Reinsurers' share		Net	
	2021	2020	**2021**	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
At the beginning of the year	**2,181**	1,109	**7,804**	9,573	**9,985**	10,682
Additions during the year	**5,867**	1,072	**-**	-	**5,867**	1,072
Releases during the year	**-**	-	**(5,132)**	(1,769)	**(5,132)**	(1,769)
At the end of the year	**8,048**	2,181	**2,672**	7,804	**10,720**	9,985

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.6 Mathematical reserves

Movement of mathematical reserves during the years ended 31 December 2021 and 2020 was as follows:

	For the year ended 31 December					
	Gross		**Reinsurers' share**		**Net**	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000
At the beginning of the year	**107,721**	98,671	**(92,932)**	(86,286)	**14,789**	12,385
New business	**48,351**	44,288	**(41,777)**	(38,783)	**6,574**	5,505
Other increases	**4,514**	4,135	**(3,213)**	(3,045)	**1,301**	1,090
Deaths/maturities/surrenders	**(1,478)**	(1,354)	**1,047**	993	**(431)**	(361)
Other releases	**(20,068)**	(38,019)	**17,502**	34,189	**(2,566)**	(3,830)
At the end of the year	**139,040**	107,721	**(119,373)**	(92,932)	**19,667**	14,789

13.7 Third party recoveries

Movement of third party recoveries during the years ended 31 December 2021 and 2020 was as follows:

	For the year ended 31 December					
	Gross		**Reinsurers' share**		**Net**	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000	**2021 AED'000**	2020 AED'000
At the beginning of the year	**3,620**	4,222	**(10,212)**	(16,321)	**(6,592)**	(12,099)
Additions during the year	**3,262**	3,038	**(6,131)**	(6,229)	**(2,869)**	(3,191)
Releases during the year	**(3,338)**	(3,640)	**8,180**	12,338	**4,842**	8,698
At the end of the year	**3,544**	3,620	**(8,163)**	(10,212)	**(4,619)**	(6,592)

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.8 Provision for default claims and refunds

Movement of Provision for default claims and refunds during the years ended 31 December 2021 and 2020 was as follows:

	For the year ended 31 December					
	Gross		**Reinsurers' share**		**Net**	
	2021	2020	**2021**	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
At the beginning of the year	**14,329**	14,329	-	-	**14,329**	14,329
Additions during the year	**-**	-	-	-	**-**	-
Releases during the year	**-**	-	-	-	**-**	-
At the end of the year	**14,329**	14,329	-	-	**14,329**	14,329

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

13.9 Sensitivity Table

The following table presents the sensitivity of the value of insurance contract liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance contract liabilities. For liabilities under long-term insurance contracts with fixed and guaranteed terms, changes in assumptions will not cause a change to the amount of the liability, unless the change is severe enough to trigger a liability adequacy test adjustment. No losses arose in either 2021 or 2020, based on the results of the liability adequacy test. The table below indicates the level of the respective variable that will trigger an adjustment and then indicates the liability adjustment required as a result of a further deterioration in the variable.

The below table illustrates sensitivity details for liabilities under life insurance contracts.

OVERALL SENSITIVITY OF NET RESULTS			
	AED '000		
Technical provisions category	**Pessimistic Estimate**	**Best Estimate**	**Optimistic Estimate**
Mortality assumption	21,825	19,667	17,476
Discount rate assumption	20,094	19,667	18,970
Expense assumption	19,720	19,667	19,448
Expense inflation assumption	19,734	19,667	19,444
Sensitivities	**Pessimistic Estimate**	**Best Estimate**	**Optimistic Estimate**
Mortality assumption	increase mortality rates by 10%	BE Mortality	decrease mortality rates by 10%
Discount rate assumption	increase discount rates by 0.5%	BE discount rate	decrease discount rates by 0.5%
Expense assumption	increase expenses by 10%	BE expenses	decrease expenses by 10%
Expense inflation assumption	increase inflation by 0.5%	BE expense inflation	decrease inflation by 0.5%

There were no changes in the assumptions for mathematical reserves for the years ended 31 December 2021 and 2020.

14 SEGMENT INFORMATION

Identification of reportable segments

Primary segment information

For management purposes, the Company is organised into business units based on its products and services and has two reportable operating segments as follows:

1. The general insurance segment, comprises motor, medical, marine, fire, property, liability, engineering and general accident.
2. The life segment includes group life, credit life and individual life.

These segments are the basis on which the Company reports its primary segment information to the Chief Operating Decision Maker. There are no transactions between the business segments.

Segment results

	General insurance		**Life insurance**		**Total**	
	2021	2020	**2021**	2020	**2021**	2020
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
		(Restated)		(Restated)		(Restated)
UNDERWRITING INCOME						
Gross written premium	**655,993**	585,277	**244,090**	282,634	**900,083**	867,911
Reinsurance premiums ceded	**(394,091)**	(351,550)	**(129,748)**	(145,003)	**(523,839)**	(496,553)
Net retained premium	**261,902**	233,727	**114,342**	137,631	**376,244**	371,358
Net change in unearned premium, mathematical reserve an policyholders' reserve	**(6,299)**	3,835	**(104,950)**	(67,330)	**(111,249)**	(63,495)
Net earned premium	**255,603**	237,562	**9,392**	70,301	**264,995**	307,863
Gross commission earned	**74,032**	66,367	**17,982**	11,282	**92,014**	77,649
Total underwriting income	**329,635**	303,929	**27,374**	81,583	**357,009**	385,512
UNDERWRITING EXPENSES						
Net claims incurred	**(136,335)**	(122,152)	**(15,548)**	(8,212)	**(151,883)**	(130,364)
Commission incurred	**(65,803)**	(53,179)	**(25,259)**	(52,720)	**(91,062)**	(105,899)
Administrative expenses	**(61,831)**	(61,941)	**(29,053)**	(33,077)	**(90,884)**	(95,018)
Other operational costs related to underwriting activities	**(30,665)**	(32,662)	**(7,741)**	(14,070)	**(38,406)**	(46,732)
Net movement in fair value of investments held for unit linked products	**-**	-	**34,678**	17,263	**34,678**	17,263
Total underwriting expenses	**(294,634)**	(269,934)	**(42,923)**	(90,816)	**(337,557)**	(360,750)
Total underwriting (loss)/ income	**35,001**	33,995	**(15,549)**	(9,233)	**19,452**	24,762
Net investment loss					**5,429**	(2,052)
Provision for doubtful debts					**(10,062)**	(23,271)
Board of directors' remuneration					**(1,600)**	(3,375)
Profit/ (loss) for the year					**13,219**	(3,936)

14 SEGMENT INFORMATION (continued)

Segment assets and liabilities

	General insurance		Life insurance		Total	
	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)	**As at 31 December 2021 AED'000**	As at 31 December 2020 AED'000 (Restated)	**As at 31 December 2021 AED'000**	As at 31 December 2020 AED'000 (Restated)
ASSETS						
Property and equipment	**52,835**	59,940	**17,611**	19,981	**70,446**	79,921
Intangible assets	**5,198**	4,240	**9,376**	12,521	**14,574**	16,761
Statutory deposit	**6,000**	6,000	**4,000**	4,000	**10,000**	10,000
Right-of-use assets	**478**	2,699	**159**	900	**637**	3,599
Investments securities	**35,066**	84,996	**12,822**	28,275	**47,888**	113,271
Unit linked assets	**-**	-	**368,887**	286,798	**368,887**	286,798
Reinsurance contract assets	**629,558**	344,363	**201,956**	143,902	**831,514**	488,265
Bank deposits with original maturities of more than months	**113,086**	129,324	**92,879**	91,019	**205,965**	220,343
Insurance and other receivables	**277,410**	301,245	**78,792**	100,252	**356,202**	401,497
Cash and cash equivalents	**68,911**	3,856	**22,970**	1,286	**91,881**	5,142
Total assets	**1,188,542**	936,663	**809,452**	688,934	**1,997,994**	1,625,597
LIABILITIES						
Provision for employees' end of service benefits	**9,655**	8,221	**3,218**	2,741	**12,873**	10,962
Insurance contract liabilities	**858,287**	558,527	**246,962**	181,890	**1,105,249**	740,417
Insurance and other payables	**218,479**	292,718	**57,021**	72,074	**275,500**	364,792
Payables to policyholders of unit linked products	**-**	-	**368,887**	286,798	**368,887**	286,798
Bank overdraft	**-**	584	**-**	-	**-**	584
Total liabilities	**1,086,421**	860,050	**676,088**	543,503	**1,762,509**	1,403,553

14 SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	General insurance		**Life insurance**		**Total**	
	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)	**As at 31 December 2021 AED'000**	As at 31 December 2020 AED'000 (Restated)	**As at 31 December 2021 AED'000**	As at 31 December 2020 AED'000 (Restated)
EQUITY						
Share capital	**230,939**	230,939	**100,000**	100,000	**330,939**	330,939
Statutory reserve	**16,187**	14,865	**-**	-	**16,187**	14,865
Special reserve	**16,187**	14,865	**-**	-	**16,187**	14,865
Reinsurance reserve	**3,728**	1,758	**1,157**	508	**4,885**	2,266
Fair value reserve	**1,590**	(6,982)	**(1,434)**	(4,292)	**156**	(11,274)
Accumulated losses	**(166,510)**	(178,832)	**33,641**	49,215	**(132,869)**	(129,617)
Total equity	**102,121**	76,613	**133,364**	145,431	**235,485**	222,044
Total liabilities and equity	**1,188,542**	936,663	**809,452**	688,934	**1,997,994**	1,625,597

The table presents the geographical distribution of gross written premiums

	For the year ended 31 December	
	2021 AED'000	2020 AED'000
United Arab Emirates	**753,672**	747,149
GCC	**145,038**	119,382
Others	**1,373**	1,380
	900,083	867,911

The geographical segment disclosure is not applicable for non current assets. The Company does not have reliance on any single customer for generating revenue.

15 INSURANCE AND OTHER RECEIVABLES

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Due from policyholders and brokers	**280,295**	295,225
Due from insurance companies	**22,595**	24,722
Due from reinsurance companies	**23,422**	26,555
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	**(34,499)**	(24,849)
Due from related parties (Note 9)	**26,508**	26,173
Provision for doubtful debts – (Due from related parties) (Note 9)	**(26,310)**	(26,173)
	292,011	321,653
Other receivables	**38,946**	54,582
Provision for doubtful debts (Note 13.1)	**(271)**	-
Advance paid for purchase of real estate properties (Note 9)*	**36,500**	36,500
Provision on advance paid for purchase of real estate properties (Note 9)*	**(36,500)**	(36,500)
Deferred acquisition cost (Note 15.2)	**19,061**	20,829
Prepaid expenses	**6,455**	4,433
	356,202	401,497

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Inside UAE		
Due from policyholders and brokers	**224,634**	226,408
Due from insurance companies	**22,595**	24,722
Due from reinsurance companies	**2,802**	5,670
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	**(22,578)**	(18,175)
Due from related parties (Note 9)	**26,508**	26,173
Provision for doubtful debts – (Due from related parties) (Note 9)	**(26,310)**	(26,173)
	227,651	238,625
Other receivables	**38,946**	54,582
Allowance for doubtful receivables (Note 13.1)	**(271)**	-
Advance paid for purchase of real estate properties (Note 9)*	**36,500**	36,500
Provision on advance paid for purchase of real estate properties (Note 9)*	**(36,500)**	(36,500)
Deferred acquisition cost (Note 15.2)	**19,061**	20,829
Prepaid expenses	**6,455**	4,433
	291,842	318,469

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Outside UAE		
Due from policyholders and brokers	**55,661**	68,817
Due from reinsurance companies	**20,620**	20,885
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	**(11,921)**	(6,674)
	64,360	83,028

15 INSURANCE AND OTHER RECEIVABLES (continued)

* The amount under the advance paid for real estate properties (AED 36.5 million) was represented as Investment Properties with a carrying value in the books of AED 72.3 million in the audited financials for the year ended 31 December 2020. The said asset represent a purchased assets from related parties during the years 2013 and 2014. The purchased assets comprise a 60 residential-unit in a single building and a plot of land of 150,000 square feet with integrated infrastructure. For one of the assets, the agreement was entered in 2013 to purchase 150,000 square feet of the land, which was reduced to 56,800 square feet and later amended to 78,900 square feet based on the instruction from the former Chairman who was also the representative of the related party. The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer), and as a result the Company did not obtain the title deeds nor obtain possession of the said asset. This has resulted in the incorrect recognition of fair value gains of AED 35.8 million on investment properties in respect of which the Company never obtained possession or legal title, and the misappropriation of advances amounting to AED 36.5 million paid to a related party towards the acquisition of the investment properties. Accordingly, the Board of the Company decided to book a full provision (AED 72.3 million) against the said assets and proceed with legal action against all involved parties, to recover Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

15.1 Provision for doubtful debts

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000
Balance at the beginning of the year	51,022	27,758
Provision during the year	10,062	23,271
Write off during the year	(4)	(7)
Balance at the end of the year	61,080	51,022

15.2 Deferred acquisition costs

	As at 31 December 2021 AED'000	As at 31 December 2020 AED'000 (Restated)
Balance at the beginning of the year	**20,829**	22,392
Commission paid during the year	**89,294**	104,336
Commission incurred during the year	**(91,062)**	(105,899)
Balance at the end of the year	**19,061**	20,829

15 INSURANCE AND OTHER RECEIVABLES (continued)

15.3 Aging of total insurance and reinsurance receivables

15.3 .1 Aging of insurance and reinsurance receivables – Total

As at 31 December 2021

		Past Due by Number of Days					
	Not Yet Due AED'000	**< 30 days AED'000**	**30 -90 days AED'000**	**91 -180 days AED'000**	**181-365 days AED'000**	**> 365 days AED'000**	**Total AED'000**
Due from policyholders and brokers	**90,611**	**29,589**	**51,805**	**46,116**	**18,306**	**43,868**	**280,295**
Due from insurance companies	**1,382**	**1,128**	**1,015**	**1,739**	**2,756**	**14,575**	**22,595**
Due from reinsurance companies	**4,308**	**911**	**319**	**2,309**	**1,625**	**13,950**	**23,422**
Total	**96,301**	**31,628**	**53,139**	**50,164**	**22,687**	**72,393**	**326,312**
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	**(114)**	**(57)**	**(193)**	**(55)**	**(215)**	**(33,865)**	**(34,499)**
Due from related parties (Note 9)	**3**	**82**	**-**	**36**	**70**	**26,317**	**26,508**
Provision for due from related parties	**-**	**-**	**-**	**-**	**-**	**(26,310)**	**(26,310)**
TOTAL	**96,190**	**31,653**	**52,946**	**50,145**	**22,542**	**38,535**	**292,011**

As at 31 December 2020

		Past Due by Number of Days					
	Not Yet Due AED'000	< 30 days AED'000	30 -90 days AED'000	91 -180 days AED'000	181-365 days AED'000	> 365 days AED'000	Total AED'000
Due from policyholders and brokers	103,019	34,007	26,865	45,359	25,798	60,177	295,225
Due from insurance companies	2,582	1,667	1,105	1,753	5,646	11,969	24,722
Due from reinsurance companies	6,035	1,033	2,021	735	1,902	14,829	26,555
Total	111,636	36,707	29,991	47,847	33,346	86,975	346,502
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	-	-	-	-	-	(24,849)	(24,849)
Due from related parties (Note 9)	113	4	61	134	258	25,603	26,173
Provision for due from related parties	(113)	(4)	(61)	(134)	(258)	(25,603)	(26,173)
TOTAL	111,636	36,707	29,991	47,847	33,346	62,126	321,653

15 INSURANCE AND OTHER RECEIVABLES (continued)

15.3 Aging of total insurance and reinsurance receivables (continued)

15.3.2 Aging of insurance and reinsurance receivables - Inside UAE

As at 31 December 2021

		Past Due by Number of Days					
	Not Yet Due AED'000	**< 30 days AED'000**	**30 -90 days AED'000**	**91 -180 days AED'000**	**181-365 days AED'000**	**> 365 days AED'000**	**Total AED'000**
Due from policyholders and brokers	**86,022**	**13,697**	**36,686**	**31,888**	**14,365**	**41,976**	**224,634**
Due from insurance companies	**1,382**	**1,128**	**1,015**	**1,739**	**2,756**	**14,575**	**22,595**
Due from reinsurance companies	**50**	**50**	**11**	**-**	**441**	**2,250**	**2,802**
Total	**87,454**	**14,875**	**37,712**	**33,627**	**17,562**	**58,801**	**250,031**
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	**(70)**	**(38)**	**(150)**	**(17)**	**(148)**	**(22,155)**	**(22,578)**
Due from related parties (Note 9)	**3**	**82**	**-**	**36**	**70**	**26,317**	**26,508**
Provision for due from related parties	**-**	**-**	**-**	**-**	**-**	**(26,310)**	**(26,310)**
TOTAL	**87,387**	**14,919**	**37,562**	**33,646**	**17,484**	**36,653**	**227,651**

As at 31 December 2020

		Past Due by Number of Days					
	Not Yet Due AED'000	< 30 days AED'000	30 -90 days AED'000	91 -180 days AED'000	181-365 days AED'000	> 365 days AED'000	Total AED'000
Due from policyholders and brokers	74,255	26,766	19,302	39,879	24,658	41,548	226,408
Due from insurance companies	2,582	1,667	1,105	1,753	5,646	11,969	24,722
Due from reinsurance companies	2,028	359	371	68	291	2,553	5,670
Total	78,865	28,792	20,778	41,700	30,595	56,070	256,800
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	-	-	-	-	-	(18,175)	(18,175)
Due from related parties (Note 9)	113	4	61	134	258	25,603	26,173
Provision for due from related party	(113)	(4)	(61)	(134)	(258)	(25,603)	(26,173)
TOTAL	78,865	28,792	20,778	41,700	30,595	37,895	238,625

15 INSURANCE AND OTHER RECEIVABLES (continued)

15.3 Aging of total insurance and reinsurance receivables (continued)

15.3.3 Aging of insurance and reinsurance receivables - Outside UAE

As at 31 December 2021

		Past Due by Number of Days					
	Not Yet Due AED'000	**< 30 days AED'000**	**30 -90 days AED'000**	**91 -180 days AED'000**	**181-365 days AED'000**	**> 365 days AED'000**	**Total AED'000**
Due from policyholders and brokers	**4,589**	**15,892**	**15,118**	**14,229**	**3,941**	**1,892**	**55,661**
Due from insurance companies	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Due from reinsurance companies	**4,258**	**861**	**308**	**2,309**	**1,184**	**11,700**	**20,620**
Total	**8,847**	**16,753**	**15,426**	**16,538**	**5,125**	**13,592**	**76,281**
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	**(43)**	**(19)**	**(43)**	**(38)**	**(68)**	**(11,710)**	**(11,921)**
TOTAL	**8,804**	**16,734**	**15,383**	**16,500**	**5,057**	**1,882**	**64,360**

As at 31 December 2020

		Past Due by Number of Days					
	Not Yet Due AED'000	< 30 days AED'000	30 -90 days AED'000	91 -180 days AED'000	181-365 days AED'000	> 365 days AED'000	Total AED'000
Due from policyholders and brokers	28,764	7,241	7,563	5,480	1,140	18,629	68,817
Due from insurance companies	-	-	-	-	-	-	-
Due from reinsurance companies	4,007	674	1,650	666	1,611	12,277	20,885
Total	32,771	7,915	9,213	6,146	2,751	30,906	89,702
Provision for doubtful debts (due from policyholders, brokers, insurance and reinsurance companies)	-	-	-	-	-	(6,674)	(6,674)
TOTAL	32,771	7,915	9,213	6,146	2,751	24,232	83,028

15 INSURANCE AND OTHER RECEIVABLES (continued)

Insurance receivables and due from reinsurance companies are summarised as follows.

As at 31 December 2021

	Neither past due nor impaired	**Past due but not impaired**	**Past due and impaired**	**Total**
	AED'000	**AED'000**	**AED'000**	**AED'000**
Due from policyholders and brokers	**90,611**	**165,012**	**24,672**	**280,295**
Due from insurance companies	**1,382**	**21,213**	**-**	**22,595**
Due from reinsurance companies	**4,308**	**9,287**	**9,827**	**23,422**
Due from related parties (Note 9)	**3**	**195**	**26,310**	**26,508**
Total	**96,304**	**195,707**	**60,809**	**352,820**

As at 31 December 2020

	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
	AED'000	AED'000	AED'000	AED'000
Due from policyholders and brokers (Restated)	103,019	174,032	18,174	295,225
Due from insurance companies	2,582	22,140	-	24,722
Due from reinsurance companies	6,035	13,846	6,674	26,555
Due from related parties (Note 9)	-	-	26,173	26,173
Total	111,636	210,018	51,021	372,675

16 INTANGIBLE ASSETS

	Licensed know-how fee AED'000	**Software AED'000**	**Total AED'000**
Cost:			
At 1 January 2020 (As previously reported)	-	16,906	16,906
Prior year adjustment (note 27 g)	19,108	-	19,108
At 1 January 2020 (Restated)	19,108	16,906	36,014
Additions	-	53	53
At 31 December 2020 (Restated)	19,108	16,959	36,067
Additions	-	4,199	4,199
At 31 December 2021	19,108	21,158	40,266
Accumulated Amortisation			
At 1 January 2020 (As previously reported)	-	8,677	8,677
Prior year adjustment (note 27 g)	4,000	-	4,000
At 1 January 2020 (Restated)	4,000	8,677	12,677
Charge for the year	4,000	2,629	6,629
At 31 December 2020	8,000	11,306	19,306
Charge for the year	3,464	2,922	6,386
At 31 December 2021	11,464	14,228	25,692
Carrying amounts:			
At 31 December 2020 (Restated)	11,108	5,653	16,761
At 31 December 2021	7,644	6,930	14,574

16 INTANGIBLE ASSETS (continued)

The Company had paid non refundable license fee in the year 2018 to utilise and access to know how of the customers of a bank.

Intangible assets include internally generated software amounting to AED 11,143 thousand (31 December 2020 : AED 11,143 thousand) and accumulated amortisation of AED 8,500 thousand (31 December 2020: AED 6,501 thousand). During the years ended 31 December 2021 and 2020, there were no additions or deletions to the internally generated software.

17 INSURANCE AND OTHER PAYABLES

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000 (Restated)
Trade payables	**76,039**	125,694
Due to insurance and reinsurance companies	**121,457**	142,669
Reinsurance premium reserve held	**28,906**	29,615
	226,402	297,978
Other payables:		
Unclaimed dividends	**1,998**	2,044
Accrued expenses and other payables	**47,068**	62,122
Lease liabilities (Note 22)	**32**	2,648
	275,500	364,792

18 ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2021	2020
	AED'000	AED'000 (Restated)
Staff costs (Note 18.1)	**61,310**	62,598
Depreciation and amortization	**10,868**	12,184
Maintenance charges	**5,262**	2,074
Telephone and communications	**3,098**	3,126
Rent on short term leases	**2,002**	2,851
Others	**8,344**	12,185
	90,884	95,018

18.1 Staff costs

	For the year ended 31 December	
	2021	2020
	AED'000	AED'000 (Restated)
Salaries and allowances	**47,825**	51,315
Employees' end of service benefits (Note 23)	**3,081**	3,607
Staff insurance	**3,229**	3,997
Other staff benefits	**7,175**	3,679
	61,310	62,598
Average number of employees at 31 December	**244**	266

18 ADMINISTRATIVE EXPENSES (continued)

18.2 The commitment for short term leases

The commitment for short term leases amount to AED 1,611 thousand for the year ended 31 December 2021 (31 December 2020: AED 3,027 thousand).

19 OTHER OPERATIONAL EXPENSES RELATING TO UNDERWRITING ACTIVITIES

	For the year ended 31 December	
	2021	2020
	AED'000	AED'000
		(Restated)
Producer salaries and incentive	**26,924**	29,274
Third party administration fees	**9,186**	9,618
Other expenses	**2,296**	7,840
	38,406	46,732

20 NET INVESTMENT INCOME / (LOSS)

	For the year ended 31 December	
	2021	2020
	AED'000	AED'000
		(Restated)
Interest income	**6,530**	8,054
Other investment income/(loss):		
Dividend income	**527**	742
Realised gains on sale of investments at FVTPL	**2,917**	852
Unrealised loss on investments at FVTPL	**(978)**	(9,805)
Investment management expenses	**(3,394)**	(1,662)
Others	**(173)**	(233)
Other investment loss	**(1,101)**	(10,106)
Net investment income / (loss)	**5,429**	(2,052)

21 NET INSURANCE PREMIUM REVENUE

	General		Life		Total	
	2021 AED'000	2020 AED'000 (Restated)	**2021 AED'000**	2020 AED'000 (Restated)	**2021 AED'000**	2020 AED'000 (Restated)
Gross written premiums						
Gross written premiums	**655,993**	585,277	**244,090**	282,634	**900,083**	867,911
Change in unearned premiums (Note 13.5)	**(8,324)**	34,906	**(75)**	(322)	**(8,399)**	34,584
Change in mathematical reserve (Note 13.7)	**-**	-	**(31,319)**	(9,051)	**(31,319)**	(9,051)
Amount invested by policyholders	**-**	-	**(107,928)**	(92,995)	**(107,928)**	(92,995)
Movement in reserve for unit linked products	**-**	-	**(34,678)**	(17,263)	**(34,678)**	(17,263)
	647,669	620,183	**70,090**	163,003	**717,759**	783,186
Reinsurance premiums ceded						
Reinsurance premiums ceded	**(394,091)**	(351,550)	**(129,748)**	(145,003)	**(523,839)**	(496,553)
Change in unearned premiums (Note 13.5)	**2,024**	(31,071)	**138**	2,329	**2,162**	(28,742)
Change in mathematical reserve (Note 13.7)	**-**	-	**26,441**	6,646	**26,441**	6,646
Reinsurance share of amount invested by policyholders	**-**	**-**	**42,471**	43,326	**42,471**	43,326
	(392,067)	(382,621)	**(60,698)**	(92,702)	**(452,765)**	(475,323)
Net insurance premium revenue	**255,602**	237,562	**9,392**	70,301	**264,994**	307,863

Insurance contracts premium includes AED 23,279 thousand (31 December 2020: AED 18,753 thousand) of reinsurance premium accepted.

22 LEASES

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets – office premises

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000
Balance at the beginning of the year	**3,599**	7,680
Depreciation expense for the year	**(2,962)**	(4,081)
Balance at the end of the year	**637**	3,599

Lease liabilities (Note 17)

Movement of lease liabilities during the year was as follows:

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000
At 1 January	**2,648**	6,636
Accrued interest	**110**	339
Payments during the year	**(2,726)**	(4,327)
At 31 December	**32**	2,648

The incremental borrowing rate used for calculation of lease liabilities is 6.7% for the year ended 31 December 2021 (31 December 2020: 6.7 %)

Lease liabilities were classified in the statement of financial position as follows:

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000
Non-current portion	-	32
Current portion	32	2,616
	32	2,648

(ii) Amounts recognised in the statement of income

Right-of-use assets

	For the year ended 31 December	
	2021	**2020**
	AED'000	AED'000
Depreciation charged to general and administration expenses	**2,962**	4,081

22 LEASES (continued)

Lease liabilities

	For the year ended 31 December	
	2021	2020
	AED'000	AED'000
Interest expense on lease liabilities	**110**	339

The total cash outflow for leases during the year ended 31 December 2021 was AED 2,726 thousands (31 December 2020: AED 4,327 thousands).

23 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	As at 31 December 2021	As at 31 December 2020
	AED'000	AED'000
Balance at the beginning of the year	**10,962**	8,618
Charge for the year (Note 18.1)	**3,081**	3,607
Payments during the year	**(1,170)**	(1,263)
Balance at the end of the year	**12,873**	10,962

24 SOCIAL CONTRIBUTIONS

The Company did not make any social contributions during the year ended 31 December 2021 (2020: Nil).

25 RISK MANAGEMENT

25.1 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. The Company writes general, medical and life insurance contracts. General insurance contracts of the Company include Liability, Property, Motor, Fire, Marine, General accident and Engineering insurance contracts. Medical insurance contracts include both individual and group medical insurance contracts. Life insurance contracts include group, Individual Life and credit life insurance contracts.

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit and Risk Management Committee, which is responsible for developing and monitoring the Company's risk management framework. The Committee reports regularly to the Board of Directors on its activities related to Risk Management framework and further developments. The primary purpose of Risk Management framework is to protect the shareholders from events that deter the sustainable achievement of the set financial/performance objective.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Risk Management principles are embedded in Company's operational and financial processes and further mitigation/controls are implemented for effective Internal Risk Management framework in the functional processes.

25 RISK MANAGEMENT (continued)

25.1 Insurance risk (continued)

Risk management framework (continued)

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

The Company does not foresee any material impact to its business and operations due to possible climate change effect in the near future. The Company will, however, be collating necessary data to monitor the possible effect on a periodic basis going forward.

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

Underwriting strategy

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

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

Business selection is part of Company's underwriting procedures/guidelines whereby premiums are charged based on the assessment and type of the risks. Other factors such as risk inspections, mortality, persistency and current market trends are also considered in the risk underwriting and premium calculation.

Reinsurance strategy

The Company's reinsurance arrangements include proportional, non-proportional, excess of loss and catastrophe coverage. The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

The Company has a Reinsurance department that is responsible to arrange reinsurance arrangement as per the annual business plans and also for setting the minimum-security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy. As a proactive measure and part of Risk Management framework, the reinsurers securities rating is monitored for any downgrade from credit risk perspective. The reinsurance regulations issued by the CBUAE are also incorporated in the Reinsurance strategy.

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

25.1.1 Frequency and severity of claims

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

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

25 RISK MANAGEMENT (continued)

25.1 Insurance risk (continued)

25.1.1 Frequency and severity of claims (continued)

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 1,000 thousand (31 December 2020 : 1,000 thousand) in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are frequently reviewed individually and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

25.1.2 Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, certain claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio. In estimating the liability for claims incurred but not reported, the Company involves an independent external appointed actuary.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims' exposures. However, given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established. The amount of insurance claims is in certain cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

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

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

25 RISK MANAGEMENT (continued)

25.1 Insurance risk (continued)

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

The loss ratios for the current and prior year, before and after reinsurance are summarised below by type of risk:

	31 December 2021		31 December 2020	
Type of risk	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
General insurance	87%	53%	43%	51%
Life insurance	116%	35%	40%	9%

Based on the simulations performed, the impact on profit of a change of 1% in the loss ratio for both gross and net of reinsurance recoveries would be as follows:

	2021		2020	
	Gross AED'000	Net AED'000	Gross AED'000	Net AED'000
Impact of an increase of 1% in loss ratio	7,524	2,997	8,004	3,251
Impact of a decrease of 1% in loss ratio	(7,524)	(2,997)	(8,004)	(3,251)

25.1.3 Process used to determine the assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out quarterly. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims.

Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for calculating the provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. The methods more commonly used are the chain-ladder ("CL"), expected loss ratios ("ELR") and the Bornhuetter-Ferguson ("BF")methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year.

25 RISK MANAGEMENT (continued)

25.1 Insurance risk (continued)

25.1.3 Process used to determine the assumptions (continued)

Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

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

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that a weighted average of different techniques have been selected for individual accident years or groups of accident years within the same class of business. The Company has an internal actuary and independent external actuaries are also involved in the valuation of technical reserves of the Company and has used historical data for the past 9 years.
The assumptions used for the life insurance contracts disclosed in this note are as follows:

Mortality
An appropriate base table of standard mortality is chosen depending on the type of contract. An investigation into Company's experience over the most recent three years is performed, and statistical methods are used to adjust the rates reflected in the table to a best estimate of mortality for that year. Where data is sufficient to be statistically credible, the statistics generated by the data are used without reference to an industry table. For contracts insuring survivorship, an allowance is made for future mortality improvements based on trends identified in the data and in the continuous mortality investigations performed by independent actuarial bodies.

Morbidity
The rate of recovery from disability is derived from industry experience studies, adjusted where appropriate for the Company's own experience.

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

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

25 RISK MANAGEMENT(continued)

25.1 Insurance risk (continued)

25.1.4 Changes in assumptions and sensitivity analysis

This table illustrates assumptions used for IBNR calculation

The loss origin is the accident quarter in which the loss is reported.

Year	**2021**				**2020**			
IBNR Assumption	**Weighting**		**Loss origins**	**Loss Ratios**	**Weighting**		**Loss origins**	**Loss Ratios**
Line of Business	**CL/ELR**	**BF**			**CL/ELR**	**BF**		
Aviation	50%	50%	2	30%	75%	25%	2	45%
Engineering	75%	25%	2	75%	50%	50%	2	90%
Fire	50%	50%	2	60%	50%	50%	2	80%
General Accident	0%	100%	-	25%	100%	0%	2	33%
Liability	75%	25%	2	30%	75%	25%	2	40%
Marine Cargo	0%	100%	-	100%	0%	100%	-	60%
Marine Hull	50%	50%	2	115%	50%	50%	2	108%
Group Life	0%	100%	-	50%	0%	100%	-	25%
Credit Life	50%	50%	2	30%	100%	0%	2	15%
Medical Others	100%	0%	2	60%	50%	50%	2	55%
Medical Pentacare	100%	0%	2	65%	100%	0%	2	65%
Medical Nextcare	50%	50%	2	68%	100%	0%	2	68%
Medical NAS	0%	100%	-	65%	25%	75%	2	65%
Motor TPL	100%		3	45%	0%	100%	-	45%
Motor Comprehensive	100%	0%	3	60%	50%	50%	2	65%
Motor Comprehensive Cat	100%	0%	2	1%	100%	0%	2	1%

This table illustrates the assumptions used for mathematical reserve and non unit reserve calculation

Assumption	**Individual Life**	**Term Assurance**	**Credit Life**	**Unit-Linked**
Mortality	110% RI rates	100% A67-70	80% A67-70	100% RI Rates
Interest Rate	1% pa	1% pa	1% pa	1% pa
Renewal Expenses	AED 230	-	-	AED 230
Inflation	5% pa	-	-	5% pa
Unit Fund Growth	-	-	-	3% pa

25 RISK MANAGEMENT (continued)

25.1 Insurance risk (continued)

25.1.4 Changes in assumptions and sensitivity analysis (continued)

The following changes in IBNR assumptions have been made between the years ended 31 December 2020 and 31 December 2021.

- Adding one year of data
- Changing the loss ratio
- Changing the number of origins used for the ELR method
- Changing the weights applied to each tail method
- Changing the outlier percentage
- Changing the development factor

The following table shows the impact of Changes in IBNR assumptions relating to major lines of business:

2021	**Motor AED'000**	**Medical AED'000**	**Credit Life AED'000**	**Fire AED'000**	**General Accident AED'000**
IBNR at the beginning of the year	**26,937**	**9,635**	**1,719**	**3,336**	**1,623**
Change in data	**(7,792)**	**(4,451)**	**(1,960)**	**529**	**2,105**
Loss ratio	**(1,164)**	**656**	**2,348**	**(1,269)**	**(688)**
Expected loss ratio origins	**1,071**	**-**	**-**	**-**	**-**
Method weights	**2,263**	**1,989**	**(53)**	**-**	**(246)**
Selected development	**(4,017)**	**(706)**	**(265)**	**-**	**(272)**
IBNR at the end of the year	**17,298**	**7,123**	**1,789**	**2,596**	**2,522**

2020	**Motor AED'000**	**Medical AED'000**	**Credit Life AED'000**	**Fire AED'000**	**General Accident AED'000**
IBNR at the beginning of the year	36,653	9,342	1,843	2,048	2,015
Change in data	(5,438)	1,879	(819)	1,998	(492)
Loss ratio	636	(442)	-	-	(113)
Expected loss ratio origins	-	-	631	-	-
Method weights	4,645	686	-	-	(699)
Outlier %	125	80	6	(92)	26
Selected development	(9,684)	(1,910)	58	(618)	886
IBNR at the end of the year	26,937	9,635	1,719	3,336	1,623

The following table shows sensitivity impact on general insurance contracts:

OVERALL SENSITIVITY OF NET RESULTS			
TECHNICAL PROVISIONS CATEGORY	**AED '000**		
	PESSIMISTIC ESTIMATE	**BEST ESTIMATE**	**OPTIMISTIC ESTIMATE**
IBNR and IBNER	55,841	34,979	30,777
ULAE	8,431	6,974	6,657
AURR	13,697	10,720	7,933
SUBTOTAL	**77,969**	**52,673**	**45,367**
OTHER TECHNICAL PROVISIONS	166,930	166,930	166,930
GRAND TOTAL	**244,899**	**219,603**	**212,297**

25 RISK MANAGEMENT (continued)

25.1 Insurance risk (continued)

25.1.4 Changes in assumptions and sensitivity analysis (continued)

Sensitivities	PESSIMISTIC ESTIMATE	BEST ESTIMATE	OPTIMISTIC ESTIMATE
IBNR and IBNER	increase NLR by 5%	Best estimate NLR	decrease NLR by 5%
ULAE	increase NLR by 5%	Best estimate NLR	decrease NLR by 5%
AURR	increase NLR by 5% increase AER by 2%	Best estimate NLR Best estimate AER	decrease NLR by 5% decrease AER by 2%

25.2 Financial risk

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

25.2.1 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Compliance with the policy is monitored and exposures and breaches are regularly reviewed by the Risk department for pertinence and for changes in the risk environment and further is reviewed by the Chief Financial Officer.

Key areas where the Company is exposed to credit risk are:
- reinsurance contract assets;
- insurance receivables;
- other receivables;
- investment securities - debt;
- bank deposits with original maturities of more than three months;
- statutory deposit; and
- cash and cash equivalents

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers. Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies. For reinsures, only independently rated reinsurers with a minimum rating of B+ and other equivalent rating as per CBUAE stipulation are accepted.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance strategy, ascertaining suitable allowance for impairment if required.

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

The Company assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The insurance receivables and other receivables are unrated.

25 RISK MANAGEMENT (continued)

25.2 Financial risk (continued)

25.2.1 Credit risk (continued)

The Company considers any financial assets measured at amortised overdue for more than 90 days to be in default and are accordingly fully provided for.

Management has established limits so that, at any time, less than 10% of the outstanding balances/ transactions are with any individual counterparty.

The credit risk on deposits with banks with original maturities of more than three months, statutory deposits and bank balances and cash is limited because the counterparties are licensed banks with sound financial positions.

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Bank balances, statutory deposit and debt investment		***Insurance and other receivables***	
	2021 AED'000	2020 AED'000	**2021 AED'000**	2020 AED'000
Carrying amount	**324,296**	257,603	**391,764**	427,257
Concentration by sector				
- Financial institution / Reinsurance companies	**-**	-	**59,382**	82,426
- Banks	**324,296**	257,603	**24,855**	15,866
- Real estate	**-**	-	**11,902**	16,291
- Service	**-**	-	**46,922**	52,767
- Others	**-**	-	**248,703**	259,907
Total carrying amount	**324,296**	257,603	**391,764**	427,257
Concentration by location				
- UAE	**290,448**	225,207	**289,801**	339,131
- GCC	**33,783**	32,396	**61,062**	68,595
- Other Arab Countries	**-**	-	**6,515**	7,333
- Asian Countries	**-**	-	**1,046**	4,152
- European Countries	**-**	-	**5,564**	7,831
- Others	**65**	-	**27,776**	215
Total carrying amount	**324,296**	257,603	**391,764**	427,257

The above classes of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance contract assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

25 RISK MANAGEMENT (continued)

25.2 Financial risk (continued)

25.2.1 Credit risk (continued)

There is no significant concentration of credit risk with respect to cash and bank balances (including bank deposits and statutory deposit), as the Company holds cash accounts in a large number of financial institutions. The table below presents an analysis of bank balances and cash and fixed deposits by rating agency designation at the end of the reporting year based on Moody's rating or its equivalent for the main banking relationships:

	2021 **AED'000**	2020 AED'000
Aa3	**258**	873
A1	**91,157**	34,760
Baa1	**30,680**	60,980
Ba1	**140,838**	94,036
B1	**19,642**	18,914
Not rated	**25,221**	25,872
	307,846	235,485

The Company has fixed deposits in a financial institution which is not rated. Based on the past experience with the financial institution, the management considers this deposit with a sound credit rating and thus, the impact of any expected credit losses is not significant.

The Company is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments amounting to AED 16,450 thousand (31 December 2020 : AED 22,118 thousand)

There are no collaterals against the debt instrument.

For all classes of financial assets held by the Company, the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date.

25.2.2 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due and to close out market positions. Due to the dynamic nature of the underlying business, the Company's finance department maintains flexibility in funding by maintaining availability under committed credit lines.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

25 RISK MANAGEMENT (continued)

25.2 Financial risk (continued)

25.2.2 Liquidity risk (continued)

Maturity profiles

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The table below summarises the maturity profile of the Company's financial assets, financial liabilities, unearned premiums, third party recoveries and provision for default claims and refunds (within insurance contract liabilities and reinsurance contract assets) and unit linked reserves which are based on remaining undiscounted contractual cash flows and unallocated loss adjustment expense reserve, unexpired risk reserve, mathematical reserves, claims reported unsettled and claims incurred but not reported (within insurance contract liabilities and reinsurance contract assets) which are based on their expected cash flows.

As at 31 December 2021

	Carrying amount AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
Assets						
Statutory deposit	**10,000**	**-**	**-**	**-**	**10,000**	**10,000**
Investment securities						
Financial assets at fair value through profit or loss	**47,871**	**11,102**	**11,956**	**-**	**24,813**	**47,871**
Financial assets at fair value through other comprehensive income	**17**	**-**	**-**	**-**	**17**	**17**
Unit linked assets	**368,887**	**-**	**57,247**	**311,640**	**-**	**368,887**
Reinsurance contract assets	**831,514**	**454,251**	**203,254**	**174,009**	**-**	**831,514**
Bank deposits with original maturities of more than three months	**205,965**	**189,204**	**16,761**	**-**		**205,965**
Deferred acquisition costs	**19,061**	**19,061**	**-**	**-**	**-**	**19,061**
Insurance and other receivables (excluding prepayments and deferred acquisition costs)	**330,686**	**330,686**	**-**	**-**	**-**	**330,686**
Cash and cash equivalents	**91,881**	**91,881**	**-**	**-**	**-**	**91,881**
Total	**1,905,882**	**1,096,185**	**289,218 -**	**485,649**	**34,830**	**1,905,882**
Liabilities						
Insurance contract liabilities	**1,105,249**	**623,339**	**267,890**	**214,020**	**-**	**1,105,249**
Payable to policyholders of unit-linked products	**368,887**	**-**	**57,247**	**311,640**	**-**	**368,887**
Insurance and other payables (excluding lease liabilities)	**275,468**	**275,468**	**-**	**-**	**-**	**275,468**
Lease liabilities	**32**	**32**	**-**	**-**	**-**	**32**
Total	**1,749,636**	**898,839**	**325,137**	**525,660**	**-**	**1,749,636**

25 RISK MANAGEMENT (continued)

25.2 Financial risk (continued)

25.2.2 Liquidity risk (continued)

Maturity profiles (continued)

As at 31 December 2020

	Carrying amount AED'000	Less than 1 year AED'000	1 to 5 years AED'000	Over 5 years AED'000	No maturity date AED'000	Total AED'000
Assets						
Statutory deposit	10,000	-	-	-	10,000	10,000
Investment securities						
Financial assets at fair value through profit or loss	106,384	7,109	14,083	2,000	83,192	106,384
Financial assets at fair value through other comprehensive income	6,887	-	-	-	6,887	6,887
Unit linked assets	286,798	-	25,995	260,803	-	286,798
Reinsurance contract assets	488,265	263,730	107,892	116,643	-	488,265
Bank deposits with original maturities of more than three months	220,343	186,957	33,386		-	220,343
Deferred acquisition costs	20,829	20,829	-	-	-	20,829
Insurance and other receivables (excluding prepayments and deferred acquisition costs)	376,235	376,235	-	-	-	376,235
Cash and cash equivalents	5,142	5,142	-	-	-	5,142
Total	1,520,883	860,002	181,356	379,446	100,079	1,520,883
Liabilities						
Insurance contract liabilities	740,417	421,547	166,641	152,229	-	740,417
Payable to policyholders of unit-linked products	286,798	-	25,995	260,803	-	286,798
Insurance and other payables (excluding lease liabilities)	362,144	362,144	-	-	-	362,144
Lease liabilities	2,648	2,725	32	-	-	2,757
Bank overdraft	584	584				584
Total	1,392,591	787,000	192,668	413,032	-	1,392,700

25 RISK MANAGEMENT (continued)

25.2 Financial risk (continued)

25.2.3 Market risk

Market risk is the risk that the fair value or the future cashflows 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's market risks arise from open positions in (a) foreign currencies (b) interest bearing and (c) price risk assets and liabilities, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a regular basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements. The unit linked contracts have not been considered for sensitivity of market risk and as these are merely passed through contracts.

Sensitivities to market risks included below are based on a change in one factor while holding all other factors constant. In practice, this is unlikely to occur, and changes in some of the factors may be correlated - for example, credit spreads, changes in interest rate and changes in foreign currency rates.

Market risk drivers include equity prices, credit spreads, foreign exchange rates and interest rates. The Company limits market risk by maintaining a diversified portfolio and by continuous monitoring of developments in local equity and bond markets. In addition, the Company actively monitors the key factors that affect stock and bond market movements, including analysis of the operational and financial performance of investees.

25.2.3.1 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The Company has also exposures in USD, to which the AED is pegged and the Company's exposure to currency risk is limited to that extent.

25.2.3.2 Interest rate risk

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

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2021, bank deposits carry fixed interest rates ranging from 0.15% to 8.5% per annum (31 December 2020: 0.68% to 8.5% per annum) and therefore not exposed to cashflow interest rate risk.

25 RISK MANAGEMENT (continued)

25.2 Financial risk (continued)

25.2.3 Market risk (continued)

25.2.3.3 Price risk

Price risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

Sensitivities
The table below shows the results of sensitivity testing on the Company's profit or loss and other comprehensive income by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		**10% decrease in price**	
	FVTPL	**FVTOCI**	**FVTPL**	**FVTOCI**
	AED'000	**AED'000**	**AED'000**	**AED'000**
2021				
Quoted debt investments	1,645	-	(1,645)	-
Quoted equity investments	2,024	2	(2,024)	(2)
Investment in funds	736		(736)	
Unquoted equity investments	382	-	(382)	-
2020				
Quoted debt investments	2,212	-	(2,212)	-
Quoted equity investments	7,179	659	(7,179)	(659)
Investment in funds	508	-	(508)	-
Unquoted equity investments	740	30	(740)	(30)

25.3 Operational risk

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

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

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

25 RISK MANAGEMENT (continued)

25.4 Classification of financial assets and liabilities

(a) The table below sets out the Company's classification of each class of financial asset and liability and their carrying amounts as at 31 December 2021:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and cash equivalents	-	-	**91,881**	**91,881**
Bank deposits with original maturities of more than three months	-	-	**205,965**	**205,965**
Statutory deposit	-	-	**10,000**	**10,000**
Investment securities	**47,871**	**17**	-	**47,888**
Insurance and other receivables	-	-	**356,202**	**356,202**
Unit linked assets	**355,533**	-	**13,354**	**368,887**
Total	**403,404**	**17**	**677,402**	**1,080,823**
Financial liabilities:				
Insurance and other payables	-	-	**275,500**	**275,500**
Payables to policyholders of unit linked products	**355,533**	-	**13,354**	**368,887**
Bank overdraft	-	-	-	-
Total	**355,533**	-	**288,854**	**644,387**

(b) The table below sets out the Company's classification of each class of financial asset and liability and their carrying amounts as at 31 December 2020:

	FVTPL AED'000	FVTOCI AED'000	Amortised cost AED'000	Total AED'000
Financial assets:				
Cash and cash equivalents	-	-	5,142	5,142
Bank deposits with original maturities of more than three months	-	-	220,343	220,343
Statutory deposit	-	-	10,000	10,000
Investment securities	106,384	6,887		113,271
Insurance and other receivables	-	-	401,497	401,497
Unit linked assets	264,574	-	22,224	286,798
Total	370,958	6,887	659,206	1,037,051
Financial liabilities:				
Insurance and other payables	-	-	364,792	364,792
Payables to policyholders of unit linked products	264,574	-	22,224	286,798
Bank overdraft	-	-	584	584
Total	264,574	-	387,600	652,174

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

25.5 Impact of COVID-19

The Covid-19 pandemic that started during the first quarter of 2020 is still continuing. UAE has vaccinated a majority of the residents and this has resulted in a substantial reduction to the risk of the pandemic. However, the worldwide effect is still on. The identification of new variants of the virus across the world is a worrying factor.

25 RISK MANAGEMENT (continued)

25.5 Impact of COVID-19 (continued)

The various measures taken for the containment of this virus have resulted in economic disruption though the scale varies from country to country. The industries that are generally impacted are airline, travel and leisure, and tourism and related activities.

UAE has been very proactive in containment measures and seamless vaccinations to its residents. This has helped in ensuring the economy is running without any difficulty. The economic opening and the preventive measures have helped in the economic growth and stability of business though business in the tourism trade such as Airlines, Leisure and hospitality sectors continue to be affected. With the reduction in Covid 19 cases and successful vaccinations of majority of the population, the economy has been opened for business including leisure and hospitality sector. The successful start of EXPO 2020 is an example of a vibrant economy opening up.

The Company had a marginal impact on its business due to the current circumstances. The economy of Dubai has now opened up and the Company expects this opening to improve the overall business. On the operational front, the Company’s robust and proactive action in enabling Work from Home facility and abiding by the Government directives on movement and congregation in offices etc during 2020 and 2021 have helped the Company to run the business as usual. The Company has no material exposure to airline or travel and tourism industries. The Company had medical claims during the year ended 31 December 2020 and 2021 which were not material to the financial statements. The Company expects COVID-19 related medical claims in future which are not expected to be material. The Company’s reinsurance arrangement covers the impact of the claims. The Company’s well rated and long standing reinsurers will stand by the Company in fulfilling the claims needs.

The Company did not experience significant impact on account of COVID-19 for the investment portfolio held as at 31 December 2021.

26 CAPITAL RISK MANAGEMENT

The Company's objectives when managing capital are summarised as follows:

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

Capital is defined as share capital and retained earnings.

The Financial Regulations for Insurance Companies specify the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The Company's management manages the capital and the related regulatory compliance requirements.

26 CAPITAL RISK MANAGEMENT (continued)

The table below summarizes the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required solvency margins.

	As at 31 December 2021 AED'000 (Unaudited)	As at 31 December 2020* AED'000 (Unaudited) (As previously reported)
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**138,697**	164,078
Minimum Guarantee Fund (MGF)	**90,379**	81,429
Own Funds:		
Basic own funds	**136,399**	185,264
Ancillary own funds		
MCR Solvency Margin-Surplus/(Deficit)	**36,399**	85,264
SCR Solvency Margin-Surplus/(Deficit)	**(2,298)**	21,186
MGF Solvency Margin-Surplus/(Deficit)	**46,020**	103,835

* The solvency numbers as at 31 December 2020 are not restated taking into account the restatements and adjustments disclosed in note 27 of the financial statements.

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

As per Article (8) of section (2) of Financial Regulations for Insurance Companies in the UAE, the Company shall comply with the requirements of solvency margin.

The Company recorded a provision against advances for real estate properties during 2021 resulting in a solvency deficit. The Company has submitted an initial solvency recovery plan to the CBUAE on 11 November 2021 detailing the proposed course of action. The CBUAE has vide its communication dated 13 January 2022 given the Company time till 30 September 2022 towards the restoration of solvency. The Company, as part of its submitted action plan, divested the concentrated equity position in one investment during November 2021. This has resulted in reducing the solvency deficiency by 94%. The SCR Solvency Margin-Deficit as at 31 December 2021 amounted to AED (2.3) million and the Company is confident of rectifying the solvency position during the first quarter of 2022 by generating operating profits.

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION

I. Prior year adjustment to the impacted financial statement line items within the statement of financial position

As at 1 January 2020

	As previously reported As at 1 January 2020				Adjustments						As restated As at 1 January 2020
		Adj a)	Adj b)	Adj c)	Adj e)	Adj f)	Adj g)	Adj h)	Adj l)	Adj m)	
	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000	AED ’000
ASSETS											
Property and equipment	101,584		(22,834)								78,750
Intangible assets	8,229						15,108				23,337
Investment properties	75,195	(75,195)									-
Unit linked assets	261,026			(68,588)							192,438
Reinsurance contract assets	518,265					20,543					538,808
Insurance and other receivables	496,379					(19,808)	(15,108)	(3,743)	14,329	1,063	473,112
Cash and bank balances	152,844				(152,844)						-
Cash and cash equivalents	-				20,059						20,059
Bank deposits with original maturities of more than three months	-				132,785			3,743			136,528
Total assets	1,816,163	(75,195)	(22,834)	(68,588)	-	735	-	-	14,329	1,063	1,665,673
Liabilities and equity											
LIABILITIES											
Insurance contract liabilities	769,771					735			14,329		784,835
Insurance and other payables	447,525									1,063	448,588
Payable to policy holders' of unit-linked products	261,026			(68,588)							192,438
Total liabilities	1,490,322	-	-	(68,588)	-	735	-	-	14,329	1,063	1,437,861
Accumulated losses	(24,560)	(75,195)	(22,834)								(122,589)
Net equity	325,841	(75,195)	(22,834)	-	-	-	-	-	-	-	227,812
TOTAL LIABILITIES AND EQUITY	1,816,163	(75,195)	(22,834)	(68,588)	-	735	-	-	14,329	1,063	1,665,673

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

I. Prior year adjustment to the impacted financial statement line items within the statement of financial position (continued)

As at 31 December 2020

	As previously reported As at 31 December 2020					Adjustments					As restated As at 31 December 2020
		Adj a)	Adj b)	Adj c)	Adj e)	Adj f)	Adj g)	Adj h)	Adj l)	Adj m)	
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
ASSETS											
Property and equipment	102,755		(22,834)								79,921
Intangible assets	5,653						11,108				16,761
Investment properties	72,270	(72,270)									-
Unit linked assets	363,066			(76,268)							286,798
Reinsurance contract assets	474,433					13,832					488,265
Insurance and other receivables	402,325						(11,108)	(5,112)	14,329	1,063	401,497
Cash and bank balances	220,373				(220,373)						-
Cash and cash equivalents	-				5,142						5,142
Bank deposits with original maturities of more than three months	-				215,231			5,112			220,343
Total assets	1,767,745	(72,270)	(22,834)	(76,268)	-	13,832	-	-	14,329	1,063	1,625,597
Liabilities and equity											
LIABILITIES											
Insurance contract liabilities	712,256					13,832			14,329		740,417
Insurance and other payables	363,729									1,063	364,792
Payable to policy holders' of unit-linked products	363,066			(76,268)							286,798
Total liabilities	1,450,597	-	-	(76,268)	-	13,832	-	-	14,329	1,063	1,403,553
Accumulated losses	(34,513)	(72,270)	(22,834)								(129,617)
Net equity	317,148	(72,270)	(22,834)	-	-	-	-	-	-	-	222,044
TOTAL LIABILITIES AND EQUITY	1,767,745	(72,270)	(22,834)	(76,268)	-	13,832	-	-	14,329	1,063	1,625,597

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

II. Prior year adjustment to the statement of income

For the year ended 31 December 2020

	As previously reported For the year ended 31 December 2020				Adjustments					As restated For the year ended 31 December 2020
		Adj a)	Adj c)	Adj f)	Adj g)	Adj j)	Adj k)	Adj n)	Adj o)	
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
UNDERWRITING INCOME										
Gross written premium	867,911									867,911
Reinsurance premiums ceded	(453,227)							(43,326)		(496,553)
	414,684	-	-	-	-	-	-	(43,326)		371,358
Net change in unearned premium and policyholders' reserve	(98,603)		7,680					43,326	(15,898)	(63,495)
Net earned premium	316,081	-	7,680	-	-	-	-	-	(15,898)	307,863
Gross commission earned	67,865					9,784				77,649
Total underwriting income	383,946	-	7,680	-	-	9,784	-	-	(15,898)	385,512
UNDERWRITING EXPENSES										
Gross claims incurred	(343,280)			6,711						(336,569)
Insurance claims recovered from reinsurers	212,916			(6,711)						206,205
Net claims incurred	(130,364)	-	-	-	-	-	-	-		(130,364)
Commission incurred	(95,332)					(10,567)				(105,899)
Administrative expenses	(76,010)				(4,000)		(15,008)			(95,018)
Other operational costs related to underwriting activities	(51,515)				4,000	783				(46,732)
Net movement in reserve of unit linked products	9,045		(7,680)						15,898	17,263
Total underwriting expenses	(344,176)	-	(7,680)	-	-	(9,784)	(15,008)	-	15,898	(360,750)
UNDERWRITING PROFIT	39,770	-	-	-	-	-	(15,008)	-	-	24,762
Net investment income/ (loss)	(4,977)	2,925								(2,052)
Provision for doubtful debts	-						(23,271)			(23,271)
Board of directors' remuneration	-						(3,375)			(3,375)
General and administrative expenses	(41,654)						41,654			-
PROFIT/ (LOSS) FOR THE YEAR	(6,861)	2,925	-	-	-	-	-	-	-	(3,936)

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

III. Prior year adjustment to the statement of cash flows

For year ended 31 December 2020

	As previously reported For the year ended 31 December 2020	**Adjustments**							**As restated For the year ended 31 December 2020**
		Adj a)	**Adj c)**	**Adj e)**	**Adj f)**	**Adj g)**	**Adj h)**	**Adj q)**	
	AED'000	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**	**AED'000**
Cash flows from operating activities									
Net profit / (loss) for the period	(6,861)	2,925							(3,936)
Net movement in fair value of investments held for unit linked products	(9,045)							9,045	
Provision for doubtful debt	-							23,271	23,271
Adjustment for:									
Decrease /(Increase) in the fair value of Investment Properties	2,925	(2,925)							-
Depreciation and amortisation	8,184					4,000			12,184
Increase in insurance and other receivables (including related parties)	94,054				(19,808)	(4,000)	1,369	(23,271)	48,344
Increase in unit linked assets	-		7,680					(102,040)	(94,360)
Increase in unit linked liabilities	-		(7,680)					102,040	94,360
Increase in reinsurance contract assets	43,832				6,711				50,543
Increase in insurance and other payables	22,232							(102,040)	(79,808)
Increase in insurance contract liabilities	(57,515)				13,097				(44,418)
Net cash generated from operating activities	100,879	-	-	-	-	-	1,369	(92,995)	9,253
Cash flows from investing activities									
Interest received	8,054						(1,369)		6,685
Purchase of investments held at FVTPL (excluding unit linked assets)	(18,017)							(166)	(18,183)
Purchase of policyholders' of unit-linked products	(92,995)							92,995	-
Proceeds from disposal of investments held at FVTOCI	16,992							166	17,158
(Increase) / decrease in fixed deposit with banks with original maturities of more than three months	(66,050)			(17,765)			1,369		(82,446)
Net cash used in investing activities	(92,042)	-	-	(17,765)	-	-	-	92,995	(16,812)
Net (decrease) / increase in cash and cash equivalents	4,277		-	(17,765)	-	-	1,369		(12,119)
Cash and cash equivalents at the beginning of the year	43,967			(27,290)					16,677
Cash and cash equivalents at the end of the year	48,244	-	-	(45,055)	-	-	1,369		4,558

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

Management has re-evaluated the accounting treatment of some transactions and assets recorded in the financial statements as at 31 December 2020 and in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors" restated its financial statements to correct these errors in the financial statements for the year ended 31 December 2021 as prior year restatements. The impact of these misstatements has been reflected in the statement of financial position as at 1 January 2020 and thereafter in the respective years presented in the financial statements. The details of these restatements are listed below:

a. Restatement of advances paid for purchase of real estate properties

In prior years, the Company made payments towards the acquisition of real estate properties to the amount of AED 36,500 thousand which was classified as investment property and revalued to an amount of AED 72,270 thousand as at 31 December 2020 . The payments related to the purchase of a 60 residential-unit in a single building and a plot of land of 150,000 square feet with integrated infrastructure. The counterparties (related parties) to the above transactions never fulfilled their obligations to the Company (the Buyer) since purchase date, and furthermore the transaction did not result in transfer of any assets during this period. The Company neither has title deeds nor possession of the said asset. At no point was the Company able to assert control over the real estate properties and the Company was unable to take possession of the property. Furthermore, in terms of the 150,000 square feet of the land referred to above, in the prior years the area was reduced to 56,800 square feet and later amended to 78,900 square feet. This was all implemented on the instruction from the former Chairman who was also the representative of the related party . This has resulted in the incorrect recognition of fair value gains of AED 35,770 thousand on investment properties in respect of which the Company never obtained possession or legal title, and resulted in the misappropriation of the advances amounting to AED 36,500 thousand paid to a related party towards the acquisition of the investment properties.

As part the re-evaluation performed by management of the Company, the following was noted:

- the classification of the advances paid should not have been classified as investment properties under IFRS but should have been accounted for as advance payments as the Company did not have control of the real estate properties or the development thereof, and
- the advances should have been considered impaired prior to 1 January 2020 as there were no future economic benefits expected from these properties.

This has resulted in overstating the Company's assets as at 31 December 2020 and 1 January 2020 by AED 72,270 thousand and AED 75,195 thousand respectively and as such the properties have been reclassified from "investment properties" to "advances paid for purchase of real estate properties" (included within "insurance and other receivables") and impaired in full. This correction resulted in an impact on "investment properties", "insurance and other receivables" and "accumulated losses". Furthermore, it is to be noted that the management of the Company had previously recorded the AED 72,270 thousand as an impairment loss in the statement of income for the six month period ended 30 June 2021 instead of accumulated losses as at 1 January 2020. The Company recorded a loss in the statement of income during the year ended 31 December 2020 amounting to AED 2,925 thousand. Since the Company has restated the prior period number, this was corrected in the financial statements for the year ended 31 December 2021 as per the above.

The Company is pursuing legal actions against the involved parties to recover the Company's rights, in accordance with the resolution of Shareholders Assembly Meeting held on 30 September 2021.

b. Restatement for measurement of free hold land

In prior years, the Company had recorded free hold land at an amount of AED 82,045 thousand. The land was obtained in an exchange transaction which occurred on 15 July 2018. The previous asset was recorded at an amount of AED 82,045 thousand and as part of the exchange the Company received the land for the fair value of AED 59,210 thousand. The Company received the title deeds for the land and the exchange was considered to have commercial substance. On the date of exchange, the land should have been recorded at AED 59,210 thousand. The Company restated the prior period cost of the free hold land to AED 59,210 thousand. This correction resulted in AED 22,834 thousand reduction in "property and equipment" and AED 22,834 thousand increase in "accumulated losses" as at each of 1 January 2020 and 31 December 2020.

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

c. Restatement of Investments held on behalf of policyholders of unit linked products and payables to policyholders of unit linked products

In prior years the Company entered into a reinsurance arrangement with another party and incorrectly recorded assets and liabilities of AED 76,268 thousand as at 31 December 2020 and AED 68,588 thousand as at 1 January 2020 within each of the "Investments held on behalf of policyholders of unit linked products" and "payables to policyholders of unit linked products". The fair value gains or losses on these investments and the changes in reserves for these investments amounted to AED 7,680 thousand respectively recorded in the statement of income.

Management reassessed the reinsurance arrangements and considered the contractual terms of the contract. In terms of the contract, the Company has no rights to any underlying assets related to the unit linked contracts and has only assumed an obligation to reinsure a portion of any losses on the contract. As such, the Company should not have accounted for any financial assets, liabilities on behalf of policyholders nor any fair value gains or losses on these investments. In the current period, management of the Company reversed these amounts since they do not represent the Company's assets, liabilities or profit or loss. The prior year comparatives have been adjusted to correct the incorrect recognition of the assets, liabilities and profit or loss accordingly.

d. Reclassification of Investments held on behalf of policyholders of unit linked products

As at 31 December 2020 and 1 January 2020 management of the Company recorded AED 88,984 thousand and AED 45,658 thousand respectively within "Investments held on behalf of policyholders of unit linked products" in the statement of financial position. The contracts have been issued to the customers (policyholders) of the Company and a back to back arrangement has been entered into whereby the Company is compensated by another entity (Reinsurer) for the payments to policyholders. The underlying investments related to the unit linked policies are held by the Reinsurer and not by the Company and the Company has no access to these assets and does not control these assets. The Company has incorrectly shown the individual underlying assets of the unit linked policies and not as a financial asset owing by the Reinsurer. During the current year, management of the Company corrected the presentation by disclosing these balances within "Unit linked assets" as "financial asset from reinsurer in relation to investments held on behalf of policyholders of unit linked products" and within "net movement in reserve of unit linked products" as "net movement in financial asset from reinsurer in relation to unit linked products".

e. Reclassification of cash and bank balances

In the current year, management of the Company identified that cash and cash equivalents were not disclosed as a separate line item on the face of the statement of financial position as required under IFRS. The cash and bank balances previously disclosed included "Bank deposits with original maturities of more than three months" which do not meet the definition of cash and cash equivalents. In addition, the Company had erroneously classified "Bank deposits with original maturities of more than three months" in cash and cash equivalents for purposes of the statement of cash flows. As at 1 January 2020, cash and bank balances amounting to AED 152,844 thousand included cash and cash equivalents amounting to AED 20,059 thousand and bank deposits with original maturities of more than three months amounting to AED 132,785 thousand. As 31 December 2020, cash and bank balances amounting to AED 220,373 thousand included cash and cash equivalents amounting to AED 5,142 thousand and bank deposits with original maturities of more than three months amounting to AED 215,231 thousand.

As a result, the presentation was adjusted such that "Cash and cash equivalents" and "Bank deposits with original maturities of more than three months" are presented as separate line items on the face of the statement of financial position. The comparatives were adjusted to correct the prior years.

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

f. Restatement of third-party ("TP") recoveries

Management reassessed the presentations of TP recoveries in the financial statements and considered whether the presentation was aligned with the accounting policy and the principles of IFRS 4. The following was noted:

- "TP recoveries against claims reported unsettled" as at 1 January 2020 were presented as part of the "insurance and other receivables" whilst the accounting policy states this should be presented net of "insurance contract liabilities". Similarly, "TP recoveries against paid claims", were presented as part of "insurance and other receivables" as opposed to "reinsurance contract assets".
- "TP recoveries against paid claims" as at 31 December 2020 were presented net of "insurance contract liabilities" and not as part of "reinsurance contract assets".
- The corresponding "reinsurance share of TP recoveries against paid claims" as at 1 January 2020 and 31 December 2020 was incorrectly presented in "reinsurance contract assets" and not as "insurance contract liabilities". Furthermore, the statement of income presented the claims as "insurance claims recovered from reinsurers" and not "gross claims incurred" on the statement of income.
- Furthermore, in the statement of income, the amounts have been included within "gross claims incurred" instead of "insurance claims recovered from reinsurers".

The errors in presentation noted above were corrected and the comparative figures for the previous years have been restated to correct the error in presentation.

g. Reclassification of Licensed know-how fee

In prior years, licensed know-how fee arising from an agreement between the Company and a third party, was accounted for as a prepayment under "other receivables" which should have been recognised as an intangible asset. Furthermore, the amortisation of the expense was included under "other operational expenses related to underwriting activities" line item on the statement of income which should have been recognised as "amortisation on intangible assets" within "administrative expenses". As at 31 December 2020 and 1 January 2020, an amount of AED 11,108 thousand and AED 15,108 thousand respectively were recorded within "other receivables" which is included in the "insurance and other receivables" line item on the statement of financial position. For the year ended 31 December 2020, AED 4,000 thousand was included within "other operational expenses related to underwriting activities" line item on the statement of income.

During the current year, management of the Company reclassified the amounts included within "other receivables" to "intangible assets" and the amounts included within "other operational expenses related to underwriting activities" to "administrative expenses".

h. Reclassification of accrued interest receivables

In prior years, as at 31 December 2020 and 1 January 2020, accrued interest receivable amounting to AED 5,112 thousand and AED 3,743 thousand respectively related to specific bank balances was incorrectly included within "Insurance and other receivables" and not as part of the related bank balances which are measured at amortised cost. In the current year, management of the Company has reclassified these balances from "Insurance and other receivables" to "Bank deposits with original maturities of more than three months" in order to correct the classification.

i. Reclassification of mathematical reserve and unexpired risk reserve

As at 31 December 2020 and 1 January 2020, the following was noted:

- gross mathematical reserves amounting to AED 107,721 thousand and AED 98,670 thousand respectively were included within "Unearned premiums",
- reinsurance share of mathematical reserves amounting to AED 92,932 thousand and AED 86,284 thousand respectively were included within "reinsurance share of unearned premiums",
- gross unexpired risk reserve amounting to AED 2,181 thousand and AED 1,109 thousand respectively were included within "claims incurred but not reported" and
- reinsurance share of unexpired risk reserve amounting to AED (7,804) thousand and AED (9,573) thousand respectively were included within "reinsurance share of claims incurred but not reported".

In the current year, management of the Company has reclassified these balances to show them as separate line items within the "insurance contract liabilities and reinsurance contract assets" disclosure in order to more appropriately reflect the nature of these balances as required under IFRS.

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

j. Reclassification of profit commission income and profit commission expense

For the year ended 31 December 2020, profit commission income amounting to AED 9,784 thousand and profit commission expense amounting to AED 10,567 thousand were included within "other operating expenses related to underwriting activities".

In the current year, management of the Company has reclassified the profit commission income and profit commission expense amounts from "other operating expenses related to underwriting activities" to "Gross commission earned" and "Commission incurred" line items in the statement of income respectively in order to more appropriately reflect the nature of these amounts.

k. Reclassification from general and administrative expenses to provision for doubtful debts, administrative expenses and Board of Directors' remuneration

In the current year, management of the Company identified and adjusted the presentation such that amounts were reclassified from "general and administrative expenses" to "administrative expenses", "provision for doubtful debts" and "Board of Directors' remuneration" within the statement of income. The comparative information has been restated to reflect the revised classification. For the year ended 31 December 2020, general and administrative expenses amounting to AED 41,654 thousand were reclassified to administrative expenses (AED 15,008 thousand), provision for doubtful debts (AED 23,271 thousand) and Board of Directors' remuneration (AED 3,375 thousand).

l. Reclassification of provision for defaults claims and refunds

During the current year, management noted that provision for default claims and refunds related to credit life insurance contracts was not classified and presented within "insurance contract liabilities. Management corrected the classification and has reclassified provision relating to default and refund claims amounting to AED 14,329 thousand as at 1 January 2020 and 31 December 2020 from "insurance and other receivables" and to "insurance contract liabilities".

m. Reclassification of provision for promotion and marketing fees

During the current year, management noted that provision for promotion and marketing fees related to credit life insurance contracts was not classified and presented within "insurance and other payables but incorrectly included in "insurance and other receivables". Management corrected the classification and has reclassified provision for promotion and marketing fees amounting to AED 1,063 thousand " as at 1 January 2020 and 31 December 2020 from "insurance and other receivables" to "insurance and other payables".

n. Reclassification of reinsurance premiums ceded

In the current year, management noted that the reinsurance premiums relating to unit linked products were recorded net of amounts invested on behalf of the policyholders within "Net change in unearned premiums, mathematical reserve and policyholders' reserve" in the statement of income. IFRS requires such amounts to be shown gross and not on a net basis. For the year ended 31 December 2020, management corrected the classification from "Net change in unearned premiums, mathematical reserve and policyholders' reserve" to "Reinsurance premiums ceded" amounting to AED 43,326 thousand to present the amounts on a gross basis.

o. Reclassification of gain / (loss) on unit linked investments and net changes in reserves for unit linked reserves

During the current year, management noted that the 'Net movement in reserve of unit linked products' included within 'Net change in unearned premium, mathematical reserve and policyholders' reserve' and the 'Net movement in fair value of investments held for unit linked products' in the statement of income were recorded net of charges and sale of investments. As at 31 December 2020, management has corrected and reclassified 'Net movement in reserve of unit linked products' included within 'Net change in unearned premium, mathematical reserve and policyholders' reserve' amounting to AED 15,989 thousand to the 'Net movement in fair value of investments held for unit linked products' in the statement of income.

27 PRIOR YEAR ADJUSTMENTS AND COMPARATIVE INFORMATION (continued)

p. Correction of key management compensation

Management noted that the disclosure for key management compensation included 3 employees instead of 1 employee for the year ended 31 December 2020. Management corrected the compensation for key management personnel of AED 4,440 thousand to AED 3,900 thousand for short term benefits and AED 330 thousand to AED 200 thousand for long term benefits to conform to requirements of the IFRS.

q. Reclassification of prior period items within the statement of cashflows

During the current year, the Company noted the certain items in the statement of cashflows in year ended 31 December 2020, were incorrectly presented in "Net movement in fair value of investments held for unit linked products", "Increase in insurance and other payables", "Purchase of policyholders' of unit-linked products", "Proceeds from disposal of investments held at FVTOCI", Purchase of investments held at FVTPL (excluding unit linked assets).

Furthermore, additional line items, "Provision for doubtful debts", "Increase in unit linked investments" "Increase in unit linked liabilities" were added for better presentation.

These adjustment were internal reclassifications between "Net cash from operating activities and "Net cash from investing activities" and did not have impact on closing balance of cash and cash equivalents at the year ended 31 December 2020.

28 SUBSEQUENT EVENTS

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts and the disclosures reported in the financial statements of the Company as at and for the year ended ended 31 December 2021.