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

Directors' report, independent auditor's report and financial statements for the year ended 31 December 2022

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RAKINSURANCE

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

Directors' report for the year ended 31 December 2022

The Board of Directors has pleasure in submitting their report and the audited financial statements for the year ended 31 December 2022.

Incorporation and registered office

Ras Al Khaimah National Insurance Company P.S.C. ("RAK Insurance" or the "Company") was incorporated under an Emiri Decree Number 20/76 issued by HH Ruler of Ras Al Khaimah. The address of the registered office is RAK Insurance Head Office, 6th Floor RAK Bank ROC Office, Al Riffa, Ras Al Khaimah, United Arab Emirates.

Financial position and results

RAK Insurance incurred a net loss of AED 35 million for the year ended 31 December 2022 as compared to achieving a net profit of AED 10 million during the year ended 31 December 2021 (the "previous year").

Gross written premium decreased by 7.7% to AED 433 million compared to AED 469 million in the previous year.

Gross underwriting income from insurance operations decreased to AED 18 million compared to AED 50 million in the previous year.

The Company's total assets decreased from AED 797 million as at 31 December 2021 to AED 728 million as at 31 December 2022 and the shareholders' equity decreased from AED 203 million as at 31 December 2021 to AED 145 million as at 31 December 2022.

As at 31 December 2022, the Company's total liabilities were AED 584 million compared to AED 594 million as at 31 December 2021.

Basic loss per share is AED 0.29 per share for the year ended 31 December 2022 as compared to a basic earnings per share of AED 0.09 per share of the previous year on a capital base of AED 121 million.

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who are working hard in the turn-around journey of the Company. Our sincere appreciation to the executive management and staff for their dedication, commitment, and constant hard work. The Directors would also like to acknowledge our reinsurance partners, customers and all the stakeholders of the Company.

Yours faithfully,

Salem Al Sharhan
Chairman

20 February 2023

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Ras Al Khaimah National Insurance Company P.S.C. (the "Company") as at 31 December 2022, 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 2022;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for 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	• Valuation of insurance contract liabilities • Impairment losses on Insurance and other receivables

Our audit approach (continued)

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

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities	
As disclosed in note 9 to these financial statements, the Company's insurance contract liabilities amounted to AED 373 million as at 31 December 2022 (2021: AED 416 million). Note 9 to these financial statements describes the elements that make up the insurance contract liabilities balance. We comment on the most judgemental elements below: <u>Outstanding claims</u> Outstanding claims balance is a material within the financial statements, is highly judgmental and can be complex to calculate in certain instances. The outstanding claims are a best estimate of all claims incurred but not settled at the reporting date.	As part of our audit procedures, we: • understood, evaluated and tested the key controls relating to the review process of quarterly and annual reserves by management, the Company's internal actuarial team and the external appointed actuary; and • understood, evaluated and tested key controls relating to the reserve setting process of the Company. For outstanding claims, we: • reconciled, for each line of business, the outstanding claims reserves as per the technical listing to the underlying accounting records; • checked on a sample basis the outstanding claims reserves against supporting documentation, such as loss adjusters' reports; • for outstanding claims reserves with no movement since the prior year, we understand from management the reasons for no movement; and • compared on a sample basis, the outstanding claims reserves with the subsequent payments, if settled or subsequent reserve amounts, if unsettled;

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of insurance contract liabilities (continued)	

Claims incurred but not reported:
This reserve represents the liability for claims incurred but not reported at the end of the reporting period, which is determined through an external independent actuarial valuation, considering the Company's historical loss experience. Significant assumptions are applied in the valuation of claims that have been incurred at the reporting date but have not yet been reported to the Company. In addition, lines of business where there is a greater length of time between the initial claim event and the settlement tend to display greater variability between initial estimates and final settlement amounts.
 	
Mathematical reserves:
This reserve represents the liability for the life insurance policies which is determined through an external independent actuarial valuation, considering future policy benefits at the end of each reporting period. It involves complex and subjective judgements and uncertainty about future events for which changes in the assumptions can result in a significant impact to the estimate.
 	
The valuation of the other elements of the Company's insurance contract liabilities was determined through an external independent actuarial valuation. We consider the valuation of insurance contract liabilities a key audit matter because of the complexity involved in the estimation process and the significant judgements that management makes in determining the reasonableness and adequacy of the insurance contract liabilities.
	For incurred but not reported claims reserve and mathematical reserve, 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:
	  o checked whether the data and the checks applied to it are reasonable and sufficient to determine the Company's actuarial reserves;
	  o assessed the reasonableness of the assumptions and methods used to reflect the underlying insurance liabilities calculations of the Company;
	  o assessed the effect on the current year's reserve estimates based on the review performed by the Company on the incurred but not reported claims reserve claims at prior year end in the light of subsequent development / settlement of these claims;
	  o recalculated incurred but not reported claims reserves on a sample basis for the major lines of business; and
	  o understood and assessed the reasonableness of the mathematical reserve and performed recalculation on a sample basis for the valuation of mathematical reserve.
	
	• checked the appropriateness of the disclosures made in relation to the valuation of insurance contract liabilities included in these financial statements.

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment losses on insurance and other receivables	
As disclosed in note 10 to these financial statements, the Company's insurance and other receivables as at 31 December 2022 amounted to AED 145 million (2021: AED 208 million) and the related provision for impairment amounted to AED 29 million (2021: AED 33 million). The insurance and reinsurance receivables are measured under IFRS 4 by applying the principles of IFRS 9. The Company makes complex and subjective judgements over both the timing of recognition of impairment of insurance and other receivables and the estimation of the amount of such impairment using the expected credit loss model. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. We consider the calculation of impairment losses on insurance and other receivables as a key audit matter because of the significance of the insurance and other receivables balance (representing 16% of the total assets as at 31 December 2022), the related estimation uncertainty to the financial statements and the significance of the judgements used in applying the requirements of IFRS 9.	As part of our audit procedures, we: • tested the completeness and accuracy of the input data used in the impairment model calculations; • assessed and reviewed the methodology applied by the Company in calculating the impairment provision to assess its consistency with the requirements of IFRS 9 and tested the appropriateness and reasonableness of key assumptions and judgments used; • for balances determined to be individually impaired, we tested a sample to assess the reasonableness of management's estimated provisions; and • checked the appropriateness of the disclosures made in relation to the impairment of insurance and other receivables included in these financial statements.

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

Other information

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

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

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

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

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

The Directors are 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 Decree Law No. 32 of 2021, 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 United Arab Emirates Insurance Authority ("IA")), and for such internal control as the Directors determine 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, the Directors are 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 the Directors either intend to liquidate the Company or to cease operations, or have 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.

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

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

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

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

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

- Conclude on the appropriateness of the Directors' 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.

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

Report on other legal and regulatory requirements

Further, as required by the UAE Federal Decree Law No. 32 of 2021, 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 Decree Law No. 32 of 2021;

iii. the Company has maintained proper books of account;

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

v. as disclosed in note 7 to the financial statements, the Company has purchased or invested in shares during the year ended 31 December 2022;

vi. note 25 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 2022 any of the applicable provisions of the UAE Federal Decree Law No. 32 of 2021, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2022; and

viii. note 23 to the financial statements discloses the social contributions made during the year ended 31 December 2022.

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 report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

PricewaterhouseCoopers
20 February 2023

Jacques Fakhoury
Registered Auditor Number 379
Place: Ras Al Khaimah, United Arab Emirates

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

Statement of financial position

	Notes	As at 31 December 2022 AED	As at 31 December 2021 AED
ASSETS			
Property and equipment	5	**1,271,616**	1,944,478
Intangible assets	6	**5,641,820**	6,619,820
Statutory deposit	8	**10,000,000**	10,000,000
Financial assets at fair value through other comprehensive income ("FVTOCI")	7	**108,410,347**	112,535,476
Bank balances and fixed deposits	12	**267,312,379**	192,385,619
Reinsurance contract assets	9	**192,285,573**	217,291,902
Deferred acquisition cost	19	**18,162,230**	23,228,424
Insurance and other receivables	10	**115,727,854**	175,405,403
Cash and cash equivalents	11	**9,628,747**	57,392,932
Total assets		728,440,566	796,804,054
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	**121,275,000**	121,275,000
Statutory reserve	14.1	**49,756,048**	49,756,048
Voluntary reserve	14.2	**20,000,000**	20,000,000
Reinsurance reserve	14.3	**2,802,615**	1,872,070
Cumulative changes in fair value of FVTOCI investments		**(13,954,900)**	(909,154)
(Accumulated losses) / retained earnings		**(34,938,262)**	10,668,762
Total equity		144,940,501	202,662,726
LIABILITIES			
Provision for employees' end of service indemnity	15	**6,256,759**	6,115,257
Insurance contract liabilities	9	**372,850,090**	415,562,473
Deferred commission income	18	**9,925,393**	15,563,294
Bank borrowings	17	**50,000,000**	33,056,997
Insurance and other payables	16	**144,467,823**	123,843,307
Total liabilities		583,500,065	594,141,328
Total equity and liabilities		728,440,566	796,804,054

These financial statements were authorised for issue on behalf of the Board of Directors on 20 February 2023 and signed on their behalf by:

Salem Al Sharhan
Chairman

RAK NATIONAL INSURANCE CO. P.O.Box: 506, Ras Al Khaimah, U.A.E. 251 RAK Insurance www.rakinsurance.com

Sanjeev Badyal
Acting Chief Executive Officer

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

Statement of profit or loss

	Notes	2022 AED	2021 AED
		For the year ended 31 December	
Insurance premium revenue earned	20	**460,636,247**	459,352,353
Insurance premium ceded to reinsurers	20	**(196,996,507)**	(184,165,757)
Net insurance premium revenue earned	20	**263,639,740**	275,186,596
Gross claims settled		**(296,246,775)**	(277,268,762)
Reinsurance share of claims settled		**110,937,237**	116,727,718
Net claims settled		**(185,309,538)**	(160,541,044)
Change in gross outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions		**11,579,754**	(56,376,823)
Change in reinsurance share of outstanding claims and claims incurred but not reported ("IBNR") provisions		**(12,563,544)**	50,545,780
Change in gross mathematical reserve		**3,480,996**	(696,603)
Change in reinsurance share of mathematical reserve		**(1,555,304)**	278,534
Net claims incurred		**(184,367,636)**	(166,790,156)
Gross commission earned	18	**18,499,483**	18,360,602
Commission incurred	19	**(79,737,929)**	(76,336,545)
Net commission incurred		**(61,238,446)**	(57,975,943)
Gross underwriting income		**18,033,658**	50,420,497
General and administrative expenses	26	**(59,269,134)**	(55,277,964)
Allowance for impairment	7, 10, 12	**(7,207,951)**	(1,572,917)
Other underwriting income	28	**3,652,493**	1,557,500
Net underwriting loss		**(44,790,934)**	(4,872,884)
Interest income	21	**9,620,919**	8,473,195
Investment income	22	**65,944**	6,866,137
Other income		**129,592**	5,407
(Loss) / profit for the year		**(34,974,479)**	10,471,855
Basic and diluted (loss) / earnings per share	24	**(0.29)**	0.09

The notes on pages 15 to 91 form an integral part of these financial statements.

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

Statement of comprehensive income

	Notes	For the year ended 31 December 2022 AED	2021 AED
(Loss) / profit for the year		**(34,974,479)**	10,471,855
Other comprehensive loss			
Items that will be reclassified subsequently to profit or loss:			
Net change in fair value of debt investments designated at FVTOCI	7	**(12,800,991)**	(691,120)
Reclassification of gain on disposal of debt investments designated at FVTOCI to the statement of profit or loss	22	**-**	(1,102,114)
Items that will not be reclassified subsequently to profit or loss:			
Realised gain on disposal of equity investments designated at FVTOCI		**-**	376,394
Net change in fair value of equity investments designated at FVTOCI	7	**(244,755)**	233,693
Total other comprehensive loss for the year		**(13,045,746)**	(1,183,147)
Total comprehensive (loss) / income for the year		**(48,020,225)**	9,288,708

The notes on pages 15 to 91 form an integral part of these financial statements.

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

Statement of changes in equity

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative change in fair value of FVTOCI investments AED	(Accumulated losses) / retained earnings AED	Total AED
Balance at 1 January 2021	121,275,000	48,708,862	20,000,000	949,485	650,387	11,492,284	203,076,018
Profit for the year	-	-	-	-	-	10,471,855	10,471,855
Other comprehensive loss for the year	-	-	-	-	(1,183,147)	-	(1,183,147)
Total comprehensive (loss) / income for the year	-	-	-	-	(1,183,147)	10,471,855	9,288,708
Reclassification of realised gain on disposal of equity investments designated at FVTOCI	-	-	-	-	(376,394)	376,394	-
Transfer to statutory reserve	-	1,047,186	-	-	-	(1,047,186)	-
Transfer to reinsurance reserve (Note 14.3)	-	-	-	922,585	-	(922,585)	-
Dividends paid (Note 35)	-	-	-	-	-	(9,702,000)	(9,702,000)
Balance at 31 December 2021	**121,275,000**	**49,756,048**	**20,000,000**	**1,872,070**	**(909,154)**	**10,668,762**	**202,662,726**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(34,974,479)**	**(34,974,479)**
Other comprehensive loss for the year	**-**	**-**	**-**	**-**	**(13,045,746)**	**-**	**(13,045,746)**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(13,045,746)**	**(34,974,479)**	**(48,020,225)**
Transfer to reinsurance reserve (Note 14.3)	**-**	**-**	**-**	**930,545**	**-**	**(930,545)**	**-**
Dividends paid (Note 35)	**-**	**-**	**-**	**-**	**-**	**(9,702,000)**	**(9,702,000)**
Balance at 31 December 2022	**121,275,000**	**49,756,048**	**20,000,000**	**2,802,615**	**(13,954,900)**	**(34,938,262)**	**144,940,501**

Statement of cash flows

	Notes	For the year ended 31 December 2022 AED	2021 AED
Cash flows from operating activities			
(Loss) / profit for the year		**(34,974,479)**	10,471,855
Adjustments for:			
Depreciation of property and equipment	5, 26	**862,677**	1,114,034
Depreciation of investment properties		**-**	42,651
Amortisation of intangible assets	6, 26	**1,516,388**	1,483,278
Allowance for impairment	7, 10,12	**7,207,951**	1,572,917
Provision of employees' end of service indemnity	15	**1,713,835**	1,136,399
Realised gain on disposal of financial asset at FVTOCI debt investments	22	**-**	(1,102,114)
Realised gain on disposal of investment properties	22	**-**	(4,805,380)
Realised gain on disposal of property and equipment		**(120,830)**	(1,499)
Write off of property and equipment	5	**37,626**	62
Net income from investment properties		**-**	(183,929)
Amortisation of premium on FVTOCI debt investments	7	**229,465**	272,413
Interest income	21	**(9,620,919)**	(8,473,195)
Dividend income	22	**(65,944)**	(774,714)
Interest cost on bank borrowings		**693,970**	23,648
Operating cash flows before changes in working capital, payments of directors' remuneration, employees' end of service indemnity and interest on bank borrowings		**(32,520,260)**	776,426
Changes in working capital			
Decrease / (increase) in reinsurance contract assets		**25,006,329**	(51,175,539)
Decrease in deferred acquisition cost		**5,066,194**	859,715
(Decrease) / increase in insurance contract liabilities		**(42,712,383)**	66,869,400
Decrease / (increase) in insurance and other receivables		**46,244,104**	(7,345,635)
Decrease / (increase) Increase in current accounts in Lebanese bank		**397**	(3,988,161)
Decrease in deferred commission income		**(5,637,901)**	(3,677,464)
Increase in insurance and other payables		**21,460,733**	24,989,898
Net cash generated from operations		**16,907,213**	27,308,640
Interest paid on bank borrowings		**(717,618)**	-
Director's remuneration paid		**(812,569)**	(1,000,000)
Employees' end of service indemnity paid	15	**(1,572,333)**	(1,085,427)
Net cash generated from operating activities		**13,804,693**	25,223,213

Statement of cash flows (continued)

	Notes	For the year ended 31 December 2022 AED	2021 AED
Cash flows from investing activities			
Purchase of property and equipment	5	**(234,813)**	(559,862)
Purchase of intangible assets	6	**(538,388)**	(244,589)
Proceeds from disposal of property and equipment		**128,202**	7,422
Proceeds from disposal of financial assets at FVTOCI	7	**-**	53,419,867
Purchase of financial assets at FVTOCI	7	**(21,358,130)**	(100,764,148)
Proceeds from maturity of FVTOCI investments	7	**12,253,130**	7,346,000
Proceeds from disposal of investment properties		**-**	20,058,815
Interest received		**13,181,981**	7,543,966
Dividend income received		**65,944**	774,714
Rental income received from investment properties		**-**	183,929
Maturities of fixed deposits with banks with original maturities greater than three months		**268,917,352**	223,317,494
Placements of fixed deposits with banks with original maturities greater than three months		**(341,225,159)**	(231,951,077)
Net cash used in investing activities		**(68,809,881)**	(20,867,469)
Cash flows from financing activities			
Dividends paid	35	**(9,702,000)**	(9,702,000)
Increase in bank borrowings	17	**50,000,000**	33,056,997
Settlement of bank borrowings	17	**(33,056,997)**	-
Net cash generated from financing activities		**7,241,003**	23,354,997
Net (decrease) / increase in cash and cash equivalents		**(47,764,185)**	27,710,741
Cash and cash equivalents at the beginning of the year	11	**57,392,932**	29,682,191
Cash and cash equivalents at the end of the year	11	**9,628,747**	57,392,932

Principal non-cash transactions:

There were no non-cash transactions during the year ended 31 December 2022 and 31 December 2021 except the following:

- writeback of commission payable to brokers amounting to AED 2.9 million during the year ended 31 December 2022 (31 December 2021: Nil); and
- reclassification of exposure to a Lebanese bank from ‘Bank balances and fixed deposits’ to ‘Insurance and other receivables’ during the year ended 31 December 2022 (note 10).

1 General information

Ras Al Khaimah National Insurance Company P.S.C. (the "Company") is a public joint-stock company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of the UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations, as amended, and is registered in the Insurance Companies Register of the Central Bank of the UAE (formerly, the UAE Insurance Authority), under registration number 7. The address of the Company's registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates.

The Company is a subsidiary of National Bank of Ras Al Khaimah P.S.C. (the "Parent company") which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange, United Arab Emirates.

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

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

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 had 12 months from 2 January 2022 to comply with the provisions of the UAE Federal Decree Law No 32 of 2021. As of 31 December 2022, the Company is in compliance with the Companies Law.

Implementation of UAE Corporate Tax Law and application of IAS 12 – Income Taxes

On 9 December 2022, the UAE Ministry of Finance ("MoF") published Federal Decree-Law No. 47 of 2022 on Taxation of Corporations and Businesses (the "Corporate Tax Law"). This means businesses will be subject to UAE Corporate Tax ("Corporate Tax") from the beginning of their first financial year that starts on or after 1 June 2023. The UAE's Corporate Tax regime will levy a standard rate of 9% for taxable profits above a specified threshold and a 0% rate below that amount to support small businesses and start-ups. Expectations are that the threshold will be AED 375,000 but the amount is yet to be confirmed by a Cabinet Decision. However, there are a number of significant decisions that are yet to be finalised by way of a Cabinet Decision, including the threshold mentioned above, that are critical for entities to determine their tax status and the amount of tax due. Therefore, pending such important decisions by the Cabinet, the Company has determined that the Law was not practically operational as at 31 December 2022, and so not enacted or substantively enacted from the perspective of IAS 12 – Income Taxes. The Company shall continue to monitor the timing of the issuance of these critical Cabinet Decisions to determine its tax status and the applicability of IAS 12 – Income Taxes. The Company is currently in the process of assessing the possible impact on its financial statements, both from current and deferred tax perspective, once the Law becomes substantively enacted.

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

2.1 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 2022, 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.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.	1 April 2021
Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	1 January 2022

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

2.1 New and revised IFRSs and interpretations applied on the financial statements (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
IFRIC Agenda decision – Lessor forgiveness of lease payments (IFRS 9 and IFRS 16) In October 2022, the IASB finalised the agenda decision approved by the IFRS Interpretation Committee (IFRS IC) on 'Lessor Forgiveness of Lease Payments (IFRS 9 and IFRS 16)'. The agenda decision addresses the accounting from the perspective of the lessor, and in particular: • how the expected credit loss ('ECL') model in IFRS 9 should be applied to the operating lease receivable when the lessor expects to forgive payments due from the lessee under the lease contract before the rent concession is granted. • whether to apply the derecognition requirements in IFRS 9 or the lease modification requirements in IFRS 16 when accounting for the rent concession.	October 2022

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1, Presentation of financial statements on classification of liabilities The 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 (e.g.the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability. The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. In June 2021, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2024.	Deferred until accounting periods starting not earlier than 1 January 2024

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2 The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023
Definition of Accounting Estimates – Amendments to IAS 8 The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.	1 January 2023
Narrow scope amendments to IAS 1, Practice statement 2 The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.	1 January 2023

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: • right-of-use assets and lease liabilities, and • decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.	1 January 2023
Amendment to IFRS 16 – Leases on sale and leaseback These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.	1 January 2024

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendment to IAS 1 – Non-current liabilities with covenants These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.	1 January 2024
IFRS 17 – Insurance contracts On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.	1 January 2023
Amendments to IFRS 17 – Insurance Contracts 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.	1 January 2023

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 17 – Insurance Contracts (continued)	1 January 2023
On 28 October 2021, the IASB ('Board') redeliberated the Exposure Draft proposing a narrow-scope amendment relating to the presentation of comparative information on initial application of both IFRS 9, 'Financial Instruments', and IFRS 17, 'Insurance Contracts', considering the feedback from the comment letters received. The amendment would permit an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of IFRS 17 and IFRS 9. The overlay would allow such assets to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of IFRS 9. Following feedback on the proposals, the Board extended the scope of the overlay to include all financial assets, including those held in respect of activities not connected to contracts within the scope of IFRS 17. The overlay could also be applied by entities that already apply IFRS 9. The Board issued the amendment to IFRS 17 on 9 December 2021.	
IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.	
Refer note 2.3 for details on status of implementation.	

The Company is currently assessing the impact of these standards, interpretations and amendments on the future financial statements and intends to adopt these, where applicable, when they become effective. There are no other relevant applicable new standards and amendments to published standards or IFRIC interpretations that have been issued but are not effective for the first time for the Company's financial year beginning on 1 January 2022 that would be expected to have a material impact on the financial statements of the Company except for the adoption of IFRS 17.

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

2.3 IFRS 17 – Insurance contracts

IFRS 17, 'Insurance contracts' is applicable for annual reporting periods commencing on 1 January 2023 and the Company expects to first apply IFRS 17 on that date. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with direct participation features ("DPF") (hereafter referred to as "contracts"). The key objectives of IFRS 17 are comparable recognition and measurement of contracts in the scope of the standard, the recognition of insurance service results based on the services provided to the policyholder and provision of disclosures that will enable the users of the financial statements to assess the impact of these contracts on the financial position, financial results and cash flows of the entity. The standard distinguishes between the sources of profit and quality of earnings between insurance service results and insurance finance income and expense (reflecting the time value of money and financial risk).

IFRS 17 also allows entities that have applied IFRS 9 'Financial instruments' to annual reporting period before the initial application of IFRS 17, to redesignate their financial assets associated with insurance. There will be no redesignation of financial assets which were previously recognised when IFRS 9 'Financial instruments' was applied.

2.3.1 Structure and status of the Company's implementation project

The Company has engaged an independent consultant (the "Consultant") to assist with the implementation of the IFRS 17 standard and is planning to use an IFRS 17 managed services solution to be able to produce IFRS 17 results and disclosures. The Consultant and our staff members have been actively involved in driving the project. Regular trainings have been provided to the Board of Directors on IFRS 17. Accounting policy papers, actuarial methodologies and disclosure requirements have been defined and are being implemented throughout the Company. The IFRS 17 project team remains up to date, and closely monitors, all technical developments from the IASB and industry to evaluate the effects of such developments. Where applicable, the policy and methodology papers are updated to reflect any changes in requirements.

The Company has made significant progress in the implementation of IFRS 17. However, the following still need to be finalised to complete the transition to IFRS 17. As such the impact assessment reported in these financial statements may change once the implementation is completed.

- Finalise the confidence level for explicit risk adjustment that will assist the Company in completing the dry runs and the transition impact assessment for both 31 December 2021 and 2022 balances;
- Complete impact assessment as of 31 December 2022;
- Produce and request business sign-off, as well as external audit sign-off of transition balances;
- Finalise the layout and disclosure of the IFRS 17 compliant annual financial statements;
- Finalise the management reporting and key performance measures;
- Continue engaging with various stakeholders and business through various training initiatives.; and
- Finalise and implement future financial and data governance processes and accountabilities.

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

2.3 IFRS 17 – Insurance contracts (continued)

As the Company will be impacted by the application of IFRS 17. Below is an assessment of the expected impact:

2.3.2 Measurement model

Measurement will not be carried out at the level of individual contracts, but on the basis of groups of contracts. To allocate individual insurance contracts to groups of contracts, an entity first needs to define portfolios which include contracts with similar risks and that are managed together. These portfolios are to be subdivided into groups of contracts on the basis of profitability and quarterly cohorts. IFRS 17 consists of 3 measurement models:

- The general measurement model, also known as the building block approach, which consists of the fulfillment cash flows and the contractual service margin.
- The variable fee approach is a mandatory modification of the general measurement model regarding the treatment of the contractual service margin in order to accommodate direct participating contracts.
- The premium allocation approach is a simplified approach for the measurement of the liability for remaining coverage which an entity may choose to use when the premium allocation approach provides a measurement of the liability for remaining coverage which is not materially different from that under the general measurement model or if the coverage period of each contract in the group of insurance contracts is one year or less. Under the premium allocation approach, the liability for remaining coverage is measured as the amount of premiums received net of acquisition cash flows paid, less the net amount of premiums and acquisition cash flows that have been recognized in profit or loss over the expired portion of the coverage period based on the passage of time.

The measurement of the liability for incurred claims is identical under all three measurement models, apart from the determination of locked-in interest rates used for discounting. An explicit risk adjustment for non-financial risk is estimated separately from the other estimates for the liability for incurred claims. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

The Company plans to apply the premium allocation approach ("PAA") to all the insurance contracts. Groups of contracts with coverage period of one year or less automatically qualify for PAA. For groups of contracts with coverage period greater than one year, we assessed that there is no material difference in the measurement of the liability for remaining coverage between PAA and the general model, therefore, these qualify for PAA.

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

2.3 IFRS 17 – Insurance contracts (continued)

2.3.2 Measurement model (continued)

Insurance revenue and insurance service expenses are recognised in the statement of profit or loss based on the concept of services provided during the period. The standard requires losses to be recognised immediately on contracts that are expected to be onerous. For insurance contracts measured under the PAA, it is assumed that contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. The Company's focus is to grow a profitable and sustainable business and does not anticipate the recognition of onerous contracts except where certain facts and circumstances have been identified.

2.3.3 Accounting policy choices

The following table sets out the accounting policy choices that the Company plans to adopt:

Particulars	IFRS 17 options	Adopted approach
Insurance acquisition cash flows	Where the coverage period of each contract in the group at initial recognition is no more than one year, IFRS 17 allows an accounting policy choice of either expensing the insurance acquisition cash flows when incurred or amortizing them over the contract's coverage period.	The Company capitalises all insurance acquisition cash flows. The Company allocates the acquisition cash flows to groups of insurance contracts issued or expected to be issued using a systematic and rational basis.
Liability for Remaining Coverage ("LRC") adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LRC.	The Company will not adjust the LRC for insurance contracts issued and the asset for remaining coverage (ARC) for reinsurance contracts held for the effect of the time value of money if insurance premiums are expected to be collected within the coverage period of contracts, which is one year or less. For all other contracts, the Company makes an allowance for accretion of interest on the LRC as the time between providing each part of the services and the expected premium collection is more than one year.

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

2.3 IFRS 17 – Insurance contracts (continued)

2.3.3 Accounting policy choices (continued)

Particulars	**IFRS 17 options**	**Adopted approach**
Liability for Incurred Claims ("LIC") adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The LIC will be adjusted for the time value of money.
Insurance finance income and expenses	IFRS 17 provides an accounting policy choice to recognise the impact of changes in discount rates and other financial variables in profit or loss or in OCI. The accounting policy choice (the PL or OCI option) is applied on a portfolio basis.	The Company will include changes in discount rates and other financial variables within OCI.
Disaggregation of risk adjustment	An insurer is not required to include the entire change in the risk adjustment for non-financial risk in the insurance service result. Instead, it can choose to split the amount between the insurance service result and insurance finance income or expenses.	The Company will disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion which will be presented in insurance finance income or expenses and in insurance service result respectively.
Interim reporting	The Company shall make an accounting policy choice as to whether to change the treatment of accounting estimates made in previous interim financial statements when applying IFRS 17 in subsequent interim financial statements and in the annual reporting period.	The Company will account for any changes in accounting estimates on a year-to-date basis (i.e., the revised estimates will be calculated from the beginning of the year and adjusted in reported interim financials so that overall impact of changes in estimates equals with annual impact of the change).

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

2.3 IFRS 17 – Insurance contracts (continued)

2.3.4 Areas of significant judgements

The following are key judgements and estimates which the Company expects to apply as a result of IFRS 17.

Discount rates

The bottom-up approach will be used to derive the discount rate. Under this approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium'). The risk-free rate was derived using swap rates available in the market denominated in the same currency as the product being measured. When swap rates are not available, highly liquid sovereign bonds with a AAA credit rating were used. Management uses judgment to assess liquidity characteristics of the liability cash flows.

Risk adjustment

The Company will use Mack method or bootstrapping to determine its risk adjustment for non-financial risk. The bootstrap effectively allows the Company to measure the uncertainty about the amount and timing of the cash flows that arise from non-financial risk since bootstrapping the triangles aims to illustrate the variability of the paid claims.

When considering non-financial risks, this typically represents underwriting, expense and to some degree operational risk where the operational risk is specific to the insurance contract issued. For simplification purposes the risk adjustment only considers the underwriting risks as this is inherent in the bootstrapping calculation.

Management is currently assessing the appropriate confidence level.

Unit of account

The Company did not identify any contracts or arrangements that require combination and separation which differ from recognition under IFRS 4 and IFRS 17.

The Company has a Profitability Assessment Committee that meets at regular intervals to determine the profitability groupings of each portfolio of contracts. The committee acts as a forum to collect input from the pricing and underwriting functions and assess the relevant facts and circumstances which indicate that groups of contracts are onerous at initial recognition.

Below are some of the relevant facts and circumstances that the Company considers:

- Claims and expense ratios;
- Allowance for the risk adjustment; and
- Allowance for directly attributable expenses (which includes a portion of overheads) as required by IFRS 17.

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

2.3 IFRS 17 – Insurance contracts (continued)

2.3.4 Areas of significant judgements (continued)

Unit of account (continued)

For non-onerous groups of contracts, the Company assesses the likelihood of changes in the applicable facts and circumstances in the subsequent periods in determining whether contracts have a significant possibility of becoming onerous. The Company combines the application of quantitative thresholds on the above factors with the qualitative assessment of its lines of business to determine the resilience of groups of contracts. Based on management's assessment, all non-onerous groups of contracts will be classified as having a significant possibility of becoming onerous subsequently.

2.3.5 Transition

The Company will apply IFRS 17 on the date of initial application, 1 January 2023, using the full retrospective approach.

The Company has determined that reasonable and supportable information is available for all contracts in force at the transition date. In addition, as the contracts are eligible for the PAA, the Company has concluded that only current and prospective information will be required to reflect circumstances at the transition date, which made the full retrospective application practicable and, hence, the only available option for insurance contracts issued by the Company.

Accordingly, the Company will:

- identify, recognise and measure each group of insurance contracts and any assets for insurance acquisition cash flows as if IFRS 17 had always applied;
- derecognise any existing balances that would not exist if IFRS 17 had always applied; and
- recognise any resulting net difference in equity.

Impact of transition of IFRS 17

The Company is still assessing the estimated impact that the initial application of IFRS 17 will have on its financial statements. Based on assessments undertaken to date, opening equity is expected to move predominantly due to the following:

- impact of risk adjustments
- accounting for onerous contracts in the business
- impact of discounting
- non-performance risk on reinsurance recoverable balances

The assessment of the impacts on the Company's financial statements is in progress. Although the work is well advanced as of the date of the publication of these financial statements, it is not yet practicable to reliably quantify the transition impact.

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

2.3 IFRS 17 – Insurance contracts (continued)

2.3.5 Transition (continued)

Impact on presentation and disclosures on transition to IFRS 17

In the statement of financial position, deferred acquisition cost and insurance related receivables will no longer be presented separately but as part of the insurance liabilities. This change in presentation will lead to a reduction in total assets, offset by a reduction in total liabilities.

The amounts presented in the statement of financial performance (statement of comprehensive income) need to be disaggregated into an insurance service result, consisting of the insurance revenue and the insurance service expenses, and insurance finance income and expenses. Income or expenses from reinsurance contracts held need to be presented separately from the expenses or income from insurance contracts issued.

IFRS 17 has introduced additional disclosures which would need to be provided. The Company will be required to provide disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts issued and reinsurance contracts held within the scope of IFRS 17;
- Significant judgements, and changes in those judgements, when applying the standard; and
- The nature and extent of the risks from contracts within the scope of the standard.

3 Significant accounting policies

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

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under IFRS and the applicable requirements of the United Arab Emirates (UAE) Federal Decree Law No. 32 of 2021 ("Companies Law"), United Arab Emirates (UAE) Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations, as amended, and the Financial Regulations for Insurance Companies issued by the Central Bank of the UAE ("CBUAE") (formerly the United Arab Emirates Insurance Authority ("IA")). The financial statements comply with IFRS as issued by the International Accounting Standards Board ("IASB").

3 Significant accounting policies (continued)

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis as modified by the revaluation of financial assets measured at fair value through other comprehensive income and the provision for employees' end of service indemnity measured in accordance with the projected unit method under IAS 19 – Employee Benefits.

The Company's statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: cash and cash equivalents, insurance and other receivables, insurance and other payables and bank borrowings. The following balances would generally be classified as non-current: property and equipment, intangible assets and statutory deposit. The following balances are of mixed nature (including both current and non-current portions): reinsurance contract assets, deferred acquisition cost, bank balances and fixed deposits, financial assets at FVTOCI, insurance contract liabilities, deferred commission income and provision for employees' end of service benefits.

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

The principal accounting policies are set out below.

3.3 Insurance contracts

3.3.1 Definition, recognition and measurement

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

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

3.3.2 Short-term insurance contracts

These contracts are medical, motor, property, casualty, marine, engineering and short-duration life insurance contracts.

Medical insurance contracts protect the Company's customers against the risk of incurring medical expenses. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

3 Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Short-term insurance contracts (continued)

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

Engineering Insurance is an insurance policy that covers a wide range of engineering related risks. It is a comprehensive insurance that provides complete protection against risks associated with erection, resting, and working of any machinery, plant or equipment.

Motor insurance comprises Comprehensive Insurance and Third-Party Insurance. Comprehensive Insurance covers the policy holder for any loss or damage to the policy holders vehicle caused either by themselves or a third party. It also covers any third party for loss or damage caused by the policy holder. Third Party Insurance, on the other hand only covers the third party for any loss of damage caused by the policy holder.

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

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

Short-duration life insurance contracts (credit life) protect the Company's customers from the consequences of events that would affect the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There is no maturity or surrender benefits.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

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

3 Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Short-term insurance contracts (continued)

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

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

3.3.3 Long-term insurance contracts

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

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

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

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

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

3 Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.4 Reinsurance contracts held

Contracts entered by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer (inward reinsurance) are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss.

3.3.5 Deferred policy acquisition costs (“DAC”)

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

3.3.6 Salvage and subrogation reimbursements

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

3.3.7 Liability adequacy test

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

3 Significant accounting policies (continued)

3.4 Revenue recognition

3.4.1 Interest income and expense

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

3.4.2 Dividend income

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

3.4.3 Rental income

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

3.4.4 Reinsurance commission income

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

3.5 Foreign currencies

3.5.1 Functional and presentation currency

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

3.5.2 Transactions and balances

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

3 Significant accounting policies (continued)

3.5 Foreign currencies (continued)

3.5.2 Transactions and balances (continued)

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

3.6 Employee benefits

3.6.1 Defined contribution plan

UAE national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to UAE labour law no. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to "General and administrative expenses" within profit or loss.

3.6.2 Provision for employees' end of service indemnity

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

3.6.3 Annual leave and leave passage

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

3 Significant accounting policies (continued)

3.7 Dividend distribution

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

3.8 Property and equipment

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

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

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

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

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

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.10).

3.9 Intangible assets

Intangible assets comprise computer software and are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 10 years.

3 Significant accounting policies (continued)

3.10 Impairment of non-financial assets

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

3.11 Provisions

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

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

3.12 Share capital

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

3 Significant accounting policies (continued)

3.13 Leases

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

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

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

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss 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 lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

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.

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

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

3 Significant accounting policies (continued)

3.14 Financial assets and liabilities

Measurement methods

Amortised cost and effective interest rate

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

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

Initial recognition and measurement

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

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

3.14.1 Financial assets

(i) Classification and subsequent measurement

The Company classifies its financial assets in the following measurement categories:
- Fair value through profit or loss (“FVTPL”);
- Fair value through other comprehensive income (“FVTOCI”); or
- Amortised cost

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

3 Significant accounting policies (continued)

3.14 Financial assets and liabilities (continued)

3.14.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and government and corporate bonds. Classification and subsequent measurement of debt instruments depends on:

- the Company's business model for managing the assets; and
- the cash flow characteristics of the asset.

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

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest on the principal amount outstanding ("SPPI"), and that are not designated at FVTPL are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in note 3.14.1 (ii). Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

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

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

3 Significant accounting policies (continued)

3.14 Financial assets and liabilities (continued)

3.14.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Business model

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

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

SPPI

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

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

3 Significant accounting policies (continued)

3.14 Financial assets and liabilities (continued)

3.14.1 Financial assets (continued)

(i) Classification and subsequent measurement (continued)

Equity instruments

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

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

(ii) Impairment

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

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

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. For insurance and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

3 Significant accounting policies (continued)

3.14 Financial assets and liabilities (continued)

3.14.1 Financial assets (continued)

(ii) Impairment (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company's historical experience and informed credit assessment and including forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the Company's counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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

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

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

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

3 Significant accounting policies (continued)

3.14 Financial assets and liabilities (continued)

3.14.1 Financial assets (continued)

(ii) Impairment (continued)

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

(iii) Derecognition

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Company transfers substantially all the risks and rewards of ownership, or (ii) the Company neither transfers nor retains substantially all the risks and rewards of ownership and the Company has not retained control. Financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired financial assets are derecognised when they are assessed as uncollectible.

3.14.2 Financial liabilities

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

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

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Financial liabilities included in insurance and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

3.15 Offsetting of financial assets and liabilities

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

3 Significant accounting policies (continued)

3.16 Borrowings

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

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

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

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

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

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

3.17 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are within the scope of IFRS 9 expected credit loss calculations for the assessment of impairment.

3.18 Fixed deposits

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

4 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Measurement of the expected credit loss ("ECL") allowance

The measurement of ECL is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 33.2. The following components have a major impact on the credit loss allowance for debt instruments carried at amortised cost, FVTOCI investments, bank balances and fixed deposits: definition of default, significant increase in credit risk, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD") and the historical loss experience per ageing bucket has the major impact on the credit loss allowance for Insurance and other receivables. The Company regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

4.2 Liability adequacy testing

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

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

4.3 The ultimate liability arising from claims made under insurance contracts

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

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

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

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

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

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

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

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

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

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

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

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

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

5 Property and equipment

	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total AED
Cost					
At 1 January 2021	7,044,230	1,220,939	812,705	5,475,984	14,553,858
Additions during the year	110,952	31,692	-	417,218	559,862
Disposals during the year	(8,557)	-	(16,650)	(9,699)	(34,906)
Write offs during the year	(3,793,141)	(75,745)	-	(317,350)	(4,186,236)
At 31 December 2021	**3,353,484**	**1,176,886**	**796,055**	**5,566,153**	**10,892,578**
Additions during the year	**104,448**	**32,347**	**-**	**98,018**	**234,813**
Disposals during the year	**-**	**(6,058)**	**(394,499)**	**(19,781)**	**(420,338)**
Write offs during the year	**(411,490)**	**-**	**-**	**-**	**(411,490)**
At 31 December 2022	**3,046,442**	**1,203,175**	**401,556**	**5,644,390**	**10,295,563**
Accumulated depreciation					
At 1 January 2021	6,021,011	1,017,383	674,884	4,335,945	12,049,223
Charge for the year (Note 26)	481,211	79,459	81,061	472,306	1,114,037
Disposals during the year	(4,211)	-	(16,650)	(8,122)	(28,983)
Write offs during the year	(3,793,096)	(75,739)	-	(317,342)	(4,186,177)
At 31 December 2021	**2,704,915**	**1,021,103**	**739,295**	**4,482,787**	**8,948,100**
Charge for the year (Note 26)	**294,862**	**70,733**	**56,759**	**440,323**	**862,677**
Disposals during the year	**-**	**(355)**	**(394,498)**	**(18,113)**	**(412,966)**
Write offs during the year	**(373,864)**	**-**	**-**	**-**	**(373,864)**
At 31 December 2022	**2,625,913**	**1,091,481**	**401,556**	**4,904,997**	**9,023,947**
Carrying amount					
At 31 December 2022	**420,529**	**111,694**	**-**	**739,393**	**1,271,616**
At 31 December 2021	648,569	155,783	56,760	1,083,366	1,944,478

6 Intangible assets

	Computer software AED
Cost	
At 31 December 2020	14,812,395
Additions during the year	244,589
At 31 December 2021	**15,056,984**
Additions during the year	**538,388**
At 31 December 2022	**15,595,372**
Accumulated amortization	
At 31 December 2020	6,953,886
Charge for the year (Note 26)	1,483,278
At 31 December 2021	**8,437,164**
Charge for the year (Note 26)	**1,516,388**
At 31 December 2022	**9,953,552**
Carrying amount	
At 31 December 2022	**5,641,820**
At 31 December 2021	6,619,820

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

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

	As at 31 December	
	2022 AED	2021 AED
FVTOCI	**108,553,951**	112,724,162
Less: Allowance for impairment	**(143,604)**	(188,686)
	108,410,347	112,535,476

The composition of financial investment split between inside the UAE and outside the UAE as at 31 December 2022 and 31 December 2021 is as follows:

	Inside UAE		Outside UAE		Total	
	2022 AED	2021 AED	**2022 AED**	2021 AED	**2022 AED**	2021 AED
FVTOCI:						
Quoted debt	**47,062,538**	44,281,341	**59,353,497**	67,520,430	**106,416,035**	111,801,771
Quoted equity	**1,994,312**	733,705	**-**	-	**1,994,312**	733,705
	49,056,850	45,015,046	**59,353,497**	67,520,430	**108,410,347**	112,535,476

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

The Company has designated all investments in equity and debt instruments that are not held for trading as at FVTOCI. Debt instruments carry interest at the rate of 1.96% to 6.75% (2021: 1.96% to 6.75%) per annum. They are redeemable at par from 2023 to 2033 (2021: 2022 to 2033) based on their maturity dates. There are no significant concentrations of credit risk for debt instruments and the carrying amount reflected above represents the Company's maximum exposure to credit risk for such assets.

During the year ended 31 December 2022, the Company charged amortisation of premium on debt instruments to profit or loss amounting to AED 229,465 (2021: AED 272,413).

As of 31 December 2021, the financial assets held at FVTOCI disclosed above include quoted debt investments amounting to AED 69,544,000 which are pledged against the bank borrowings (Note 17).

The movement in the financial investments is as follows:

	FVTOCI - debt AED	**FVTOCI - equity AED**	**FVTOCI - total AED**
Balance at 1 January 2021	57,499,288	15,407,141	72,906,429
Additions during the year	100,598,176	165,972	100,764,148
Disposals during the year	(37,970,372)	(15,449,495)	(53,419,867)
Maturity during the year	(7,346,000)	-	(7,346,000)
Net change in fair value	(1,793,234)	233,693	(1,559,541)
Realised gain on disposal of financial investments	1,102,114	376,394	1,478,508
Amortisation of premium on FVTOCI debt investments to profit or loss	(272,413)	-	(272,413)
Less: Allowance for impairment	(15,788)	-	(15,788)
Balance at 31 December 2021	111,801,771	733,705	112,535,476
Additions during the year	**19,852,768**	**1,505,362**	**21,358,130**
Maturity during the year	**(12,253,130)**	**-**	**(12,253,130)**
Net change in fair value	**(12,800,991)**	**(244,755)**	**(13,045,746)**
Amortisation of premium on FVTOCI debt investments charged to profit or loss	**(229,465)**	**-**	**(229,465)**
Add: Release of impairment	**45,082**	**-**	**45,082**
Balance at 31 December 2022	**106,416,035**	**1,994,312**	**108,410,347**

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

Details of allowance for impairment are as follows:

	2022	2021
	AED	AED
Balance at 1 January	**188,686**	172,898
(Reversal) / provision of impairment during the year	**(45,082)**	15,788
Balance at 31 December	**143,604**	188,686

There were no reclassifications between financial investment categories during 2022 and 2021.

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

8 Statutory deposit

A deposit of AED 10 million (31 December 2021: AED 10 million) has been placed with one of the banks, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007, as amended. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the CBUAE for the same amount. This deposit cannot be withdrawn without prior approval of the CBUAE and bears an interest rate of 4.5% per annum (2021: 0.5% per annum).

9 Insurance contract liabilities and reinsurance contract assets

	As at 31 December	
	2022	2021
	AED	AED
Insurance contract liabilities		
Outstanding claims	**130,448,031**	142,334,853
Unallocated loss adjustment expense reserve	**6,520,455**	4,601,892
Claims incurred but not reported	**44,774,580**	46,386,077
Unexpired risk reserve	**13,761,768**	17,730,710
Unearned premiums	**165,865,170**	189,547,859
Mathematical reserve	**11,480,086**	14,961,082
	372,850,090	415,562,473
Reinsurance contract assets		
Outstanding claims	**(96,936,685)**	(106,204,231)
Claims incurred but not reported	**(27,222,708)**	(30,518,707)
Unexpired risk reserve	**(4,623,429)**	(13,679,717)
Unearned premiums	**(63,346,550)**	(65,177,742)
Mathematical reserve	**(156,201)**	(1,711,505)
	(192,285,573)	(217,291,902)
Insurance contract liabilities - net		
Outstanding claims	**33,511,346**	36,130,622
Unallocated loss adjustment expense reserve	**6,520,455**	4,601,892
Claims incurred but not reported	**17,551,872**	15,867,370
Unexpired risk reserve	**9,138,339**	4,050,993
Unearned premiums	**102,518,620**	124,370,117
Mathematical reserve	**11,323,885**	13,249,577
	180,564,517	198,270,571

As at 31 December 2022, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants amounted to AED 373 million and AED 181 million respectively (31 December 2021: AED 416 million and AED 198 million respectively). Claims incurred but not reported have been calculated on a best estimate basis. The actuary used Chain Ladder ("CL"), Bornhuetter-Ferguson ("BF"), Expected Loss Ratios ("ELR") and Cape Cod ("CC") methods to estimate the ultimate claims. After applying each of the methods listed, the actuary took a weighted average of the results of the methods. During the year ended 31 December 2022, the gross and net loss ratios assumption for credit life have been reduced from 35% to 25% and 18% to 10% respectively. Further, the assumptions for the calculation of additional unexpired risk reserve has changed in line with recent change in regulations to use fractional expensing when calculating the expense ratios.

9 Insurance contract liabilities and reinsurance contract assets (continued)

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

	2022			2021		
	Gross	**Reinsurance**	**Net**	**Gross**	**Reinsurance**	**Net**
	AED	AED	AED	AED	AED	AED
Claims						
Outstanding claims	**142,334,853**	**(106,204,231)**	**36,130,622**	81,495,011	(58,411,010)	23,084,001
Unallocated loss adjustment expense reserve	**4,601,892**	**-**	**4,601,892**	2,840,928	-	2,840,928
Claims incurred but not reported	**46,386,077**	**(30,518,707)**	**15,867,370**	52,610,060	(27,766,148)	24,843,912
Total at 1 January	**193,322,822**	**(136,722,938)**	**56,599,884**	136,945,999	(86,177,158)	50,768,841
Claims settled during the year	**(296,246,775)**	**110,937,237**	**(185,309,538)**	(277,268,762)	116,727,718	(160,541,044)
Increase in liabilities:						
Arising from current year claims	**305,201,495**	**(128,067,665)**	**177,133,830**	336,940,079	(178,294,655)	158,645,424
Arising from prior year claims	**(20,534,476)**	**29,693,973**	**9,159,497**	(3,294,494)	11,021,157	7,726,663
Total at 31 December	**181,743,066**	**(124,159,393)**	**57,583,673**	193,322,822	(136,722,938)	56,599,884
Outstanding claims	**130,448,031**	**(96,936,685)**	**33,511,346**	142,334,853	(106,204,231)	36,130,622
Unallocated loss adjustment expense reserve	**6,520,455**	**-**	**6,520,455**	4,601,892	-	4,601,892
Claims incurred but not reported	**44,774,580**	**(27,222,708)**	**17,551,872**	46,386,077	(30,518,707)	15,867,370
Total at 31 December	**181,743,066**	**(124,159,393)**	**57,583,673**	193,322,822	(136,722,938)	56,599,884
Unearned premium and unexpired risk reserves						
Total at 1 January	**207,278,569**	**(78,857,459)**	**128,421,110**	197,482,595	(78,506,234)	118,976,361
Premiums written during the year (Note 20)	**432,984,616**	**(186,109,027)**	**246,875,589**	469,148,327	(184,516,982)	284,631,345
Premiums earned during the year	**(460,636,247)**	**196,996,507**	**(263,639,740)**	(459,352,353)	184,165,757	(275,186,596)
Net movements during the year	**(27,651,631)**	**10,887,480**	**(16,764,151)**	9,795,974	(351,225)	9,444,749
Total at 31 December	**179,626,938**	**(67,969,979)**	**111,656,959**	207,278,569	(78,857,459)	128,421,110

9 Insurance contract liabilities and reinsurance contract assets (continued)

	2022 AED	2021 AED
Mathematical reserve – gross		
Total at 1 January	**14,961,082**	14,264,479
(Decrease) / increase during the year	**(3,480,996)**	696,603
Total at 31 December	**11,480,086**	14,961,082

	2022 AED	2021 AED
Mathematical reserve - reinsurance		
Total at 1 January	**(1,711,505)**	(1,432,971)
Decrease / (increase) during the year	**1,555,304**	(278,534)
Total at 31 December	**(156,201)**	(1,711,505)

9 Insurance contract liabilities and reinsurance contract assets (continued)

In addition to scenario testing, the development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The top half of each table illustrates how the Company's estimate of total claims outstanding for each accident year has changed at successive year-ends. The bottom half of the table reconciles the cumulative claims to the amount appearing in the statement of financial position. The following tables illustrate the Company's estimate of total claims outstanding and claims incurred but not reported for the years up to 2022.

Gross incurred claims at 31 December 2022

Accident year	**2016 and prior**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	AED	AED	AED	AED	AED	AED	AED	AED
At the end of each reporting year	1,063,379,507	206,708,854	289,482,870	513,297,622	399,077,423	336,940,079	305,201,495	305,201,495
One year later	1,049,998,527	191,259,704	261,270,119	482,305,594	385,519,890	305,803,750	-	305,803,750
Two years later	1,047,623,817	186,630,620	255,518,050	501,177,149	383,412,064	-	-	383,412,064
Three years later	1,033,651,330	186,389,070	254,421,507	487,632,634	-	-	-	487,632,634
Four years later	1,031,214,261	185,210,124	253,471,505	-	-	-	-	253,471,505
Five years later	1,024,881,234	183,898,132	-	-	-	-	-	183,898,132
Six years later	1,022,784,257	-	-	-	-	-	-	1,022,784,257
Estimate of cumulative claims	1,022,784,257	183,898,132	253,471,505	487,632,634	383,412,064	305,803,750	305,201,495	2,942,203,837
Cumulative payments to date	(1,022,199,603)	(183,015,371)	(250,038,643)	(482,357,927)	(371,690,402)	(247,948,198)	(209,731,082)	(2,766,981,226)
Total gross reserves included in the statement of financial position	**584,654**	**882,761**	**3,432,862**	**5,274,707**	**11,721,662**	**57,855,552**	**95,470,413**	**175,222,611**

9 Insurance contract liabilities and reinsurance contract assets (continued)

Net incurred claims at 31 December 2022

Accident year	**2016 and prior** AED	**2017** AED	**2018** AED	**2019** AED	**2020** AED	**2021** AED	**2022** AED	**Total** AED
At the end of each reporting year	718,231,329	113,561,285	125,097,160	267,264,348	229,561,512	158,645,424	177,133,830	177,133,830
One year later	721,240,889	105,199,030	112,608,458	256,386,377	224,471,018	153,057,798	-	153,057,798
Two years later	717,670,445	105,136,987	107,627,969	271,131,930	223,476,717	-	-	223,476,717
Three years later	713,922,637	100,585,664	107,566,657	259,069,664	-	-	-	259,069,664
Four years later	713,190,105	100,051,847	107,299,494	-	-	-	-	107,299,494
Five years later	711,856,838	99,535,024	-	-	-	-	-	99,535,024
Six years later	711,307,976	-	-	-	-	-	-	711,307,976
Estimate of cumulative claims	711,307,976	99,535,024	107,299,494	259,069,664	223,476,717	153,057,798	177,133,830	1,730,880,503
Cumulative payments to date	(711,117,825)	(99,154,839)	(106,579,949)	(257,854,216)	(220,916,095)	(145,238,363)	(138,955,998)	(1,679,817,285)
Total net reserves included in the statement of financial position	**190,151**	**380,185**	**719,545**	**1,215,448**	**2,560,622**	**7,819,435**	**38,177,832**	**51,063,218**

10 Insurance and other receivables

	As at 31 December	
	2022	2021
	AED	AED
Premium receivables	**101,068,260**	126,726,429
Reinsurance companies' receivables	**13,204,521**	40,074,434
Insurance agents and brokers receivables	**1,606,539**	1,350,299
Due from related parties (Note 25)	**16,999,864**	21,854,463
Accrual of interest and other income	**795,702**	9,569,487
Advances and prepayments	**5,839,930**	7,117,445
Other receivables	**5,261,529**	1,288,055
	144,776,345	207,980,612
Less: Allowance for impairment	**(29,048,491)**	(32,575,209)
	115,727,854	175,405,403

As at 31 December 2022, other receivables mainly pertain to an amount of AED 3.9 million for the exposure to a Lebanese bank that was reclassified from Bank balances and fixed deposits to other receivables as it no longer meets the recognition and classification requirements of cash at bank (Note 12).

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

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. Of the gross premium receivables balance at the end of year, AED 13 million (2021: AED 13 million) is due from the Company's largest customer.

Ageing of premium receivables and due from related parties:

	As at 31 December			
	2022	2021	**2022**	2021
	ECL rates	ECL rates	**AED**	AED
Not due	**1%**	1%	**59,536,441**	75,978,300
0 - 90 days	**4%**	4%	**31,708,672**	37,903,861
91 - 180 days	**14%**	14%	**4,821,394**	9,266,786
181 - 270 days	**31%**	31%	**3,043,633**	3,697,809
271 – 365 days	**49%**	49%	**3,291,940**	3,415,787
Over 365 days	**90%**	84%	**15,666,044**	18,318,349
			118,068,124	148,580,892
Less: Allowance for impairment			**(19,165,142)**	(22,464,901)
			98,902,982	126,115,991

10 Insurance and other receivables (continued)

Ageing of reinsurance companies' receivable

	As at 31 December			
	2022 ECL rates	2021 ECL rates	**2022 AED**	2021 AED
Not due	**1%**	1%	**-**	699,961
0 - 90 days	**4%**	4%	**4,757,422**	9,937,632
91 - 180 days	**7%**	7%	**819,683**	10,268,980
181 - 270 days	**16%**	16%	**2,272,292**	4,208,453
271 – 365 days	**24%**	24%	**1,989,663**	3,021,499
Over 365 days	**25%**	25%	**3,365,461**	11,937,909
			13,204,521	40,074,434
Less: Allowance for impairment			**(5,525,753)**	(7,803,483)
			7,678,768	32,270,951

Ageing of insurance agents and brokers receivables

	As at 31 December	
	2022 AED	2021 AED
Not due	**-**	-
0 - 90 days	**1,383**	-
91 - 180 days	**-**	-
181 - 270 days	**80**	-
271 – 365 days	**172,911**	-
Over 365 days	**1,432,165**	1,350,299
	1,606,539	1,350,299
Less: Allowance for impairment	**(1,606,539)**	(1,350,299)
	-	-

Movements in the allowance for impairment was as follows:

	2022 AED	2021 AED
Balance at 1 January	**32,575,209**	54,708,082
Charge for impairment during the year	**7,252,105**	187,850
Transfer of provision for asset in Lebanon (Note 12)	**1,395,716**	-
Write-offs during the year	**(12,174,539)**	(22,320,723)
Balance at 31 December	**29,048,491**	32,575,209

The balances written off during the year ended 31 December 2022 and 2021 have been assessed by management as non-recoverable and written off after obtaining the necessary approvals.

11 Cash and cash equivalents

	As at 31 December	
	2022	2021
	AED	AED
Cash in hand	**19,295**	24,567
Current accounts with banks	**9,609,452**	42,032,940
Fixed deposits with original maturities of three months or less	**-**	15,335,425
	9,628,747	57,392,932

Fixed deposits with original maturities of three months or less are Nil as at 31 December 2022 (31 December 2021: AED 15,335,425 and carry an interest rate of 2.65% per annum)

12 Bank balances and fixed deposits

	As at 31 December	
	2022	2021
	AED	AED
Current accounts with a Lebanese bank	**-**	3,988,161
Allowance for impairment	**-**	(1,395,716)
Total current accounts with a Lebanese bank	**-**	2,592,445
Fixed deposits with original maturities greater than three months	**266,850,379**	189,330,246
Fixed deposits under lien	**600,000**	600,000
Allowance for impairment	**(138,000)**	(137,072)
Total fixed deposits	**267,312,379**	189,793,174
Total banks balances and fixed deposits	**267,312,379**	192,385,619

As at 31 December 2021, the exposure to a Lebanese bank does not meet the requirements to be classified as ‘Cash and cash equivalents’, as cash and cash equivalents are subject to an insignificant risk of changes in value. Accordingly, the balance with a Lebanese bank was classified separately. As at 31 December 2022, the exposure to a Lebanese bank was transferred to other receivables as it is no longer meets the recognition and classification requirement of cash at bank (Note 10).

Certain fixed deposits with carrying amount of AED 600,000 as at 31 December 2022 (2021: AED 600,000) are under lien against letters of guarantee (Note 29).

The interest rate on fixed deposits with original maturities of greater than three months ranges between 1.8% to 5.65% (2021: 0.5% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

As of 31 December 2022, ‘fixed deposits with original maturities greater than three months’ disclosed above include deposits amounting to AED 50,102,945 which are pledged against the bank borrowings (Note 17).

12 Bank balances and fixed deposits (continued)

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

	2022 AED	2021 AED
Balance at 1 January	**1,532,788**	163,509
Provision for impairment during the year	**928**	1,369,279
Transfer of provision for asset in Lebanon (Note 10)	**(1,395,716)**	-
Balance at 31 December	**138,000**	1,532,788

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

13 Share capital

	As at 31 December	
	2022 AED	2021 AED
Authorised, issued and fully paid:		
121.275 million ordinary shares of AED 1 each (2021: 121.275 million ordinary shares of AED 1 each)	**121,275,000**	121,275,000

14 Reserves

14.1 Statutory reserve

In accordance with the Companies Law, and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. There has been no transfer to statutory reserve during the year ended 31 December 2022 as the Company incurred a loss during the year.

14.2 Voluntary reserve

As per the Company's Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the Shareholders' General Assembly. No transfer to voluntary reserve was made during the years ended 31 December 2022 and 31 December 2021.

14 Reserves (continued)

14.3 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has transferred AED 930,545 from 'Accumulated losses / retained earnings' to the 'Reinsurance Reserve' being 0.5% of the total insurance premium ceded to reinsurers during the year ended 31 December 2022 (year ended 31 December 2021: AED 922,585). The Company shall accumulate such provision year on year and shall not dispose of the reserve without the written approval of the assistant governor of the banking and insurance supervision department within CBUAE.

15 Provision for employees' end of service indemnity

	2022	2021
	AED	AED
Balance at the 1 January	**6,115,257**	6,064,285
Charge for the year (Note 27)	**1,713,835**	1,136,399
Amounts paid during the year	**(1,572,333)**	(1,085,427)
Balance at 31 December	**6,256,759**	6,115,257

16 Insurance and other payables

	As at 31 December	
	2022	2021
	AED	AED
Payables to third party administrators and suppliers	**34,122,794**	35,049,433
Reinsurance companies' payables	**55,932,834**	42,181,096
Due to related parties (Note 25)	**19,800,519**	13,463,225
Accrued expenses	**16,223,950**	6,837,103
Employees' benefits payable	**-**	2,074,446
Commission payable	**12,505,125**	18,477,442
Other payable balances	**3,957,229**	3,835,190
Dividends payable	**1,925,372**	1,925,372
	144,467,823	123,843,307

Accrued expenses relate to amounts incurred in the normal course of business such as reinsurance accruals and adjustments, fees payable to regulators and other professionals.

16 Insurance and other payables (continued)

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

	As at 31 December	
	2022	2021
	AED	AED
Inside UAE	**116,248,019**	81,662,211
Outside U.A.E	**28,219,804**	42,181,096
	144,467,823	123,843,307

17 Bank borrowings

	As at 31 December	
	2022	2021
	AED	AED
Short-term bank loans	**50,000,000**	33,056,997

During the year ended 31 December 2022, the Company undertook overdraft facilities amounting to AED 50,000,000 secured against fixed deposits with carrying value of AED 50,102,945 (Note 12). The overdraft carries an interest rate of AED 0.5% above the interest rate earned on the fixed deposits secured against the overdraft facilities and are repayable on demand.

During the year ended 31 December 2021, the Company obtained a short-term loan amounting AED 33,056,997 to fund the purchase of investment securities. The loan was secured by assignment of debt investments in the amount of AED 69,544,000 as at 31 December 2021 in favor of the National Bank of Ras Al Khaimah, the Parent Company (Notes 7 and 25). The loan carried an interest rate of 0.85% per annum plus 3 Month USD LIBOR. The loan matured on 8 September 2022 and was repaid on 30 September 2022.

18 Deferred commission income

	2022	2021
	AED	AED
Balance at 1 January	**15,563,294**	19,240,758
Commission received during the year	**12,861,582**	14,683,138
Commission income earned during the year	**(18,499,483)**	(18,360,602)
Balance at 31 December	**9,925,393**	15,563,294

Of the deferred commission income balance as at 31 December 2022, AED 9,909,610 (2021: AED 11,331,949) is expected to be earned no more than 12 months after the reporting period and AED 15,783 (2021: AED 4,231,345) is expected to be earned more than 12 months after the reporting period.

19 Deferred acquisition cost

	2022 AED	2021 AED
Balance at 1 January	**23,228,424**	24,088,139
Acquisition costs paid during the year	**74,671,735**	75,476,830
Amortisation charge for the year	**(79,737,929)**	(76,336,545)
Balance at 31 December	**18,162,230**	23,228,424

Of the deferred acquisition cost balance as at 31 December 2022, AED 18,130,586 (2021: AED 19,167,846) is expected to be amortised no more than 12 months after the reporting period and AED 31,644 (2021: AED 4,060,578) is expected to be amortised more than 12 months after the reporting period.

20 Net insurance premium revenue

	For the year ended 31 December	
	2022 AED	2021 AED
Gross written premiums		
Gross written premiums	**432,984,616**	469,148,327
Change in unearned premiums	**23,682,689**	(16,154,677)
Change in unexpired risk reserve ("URR")	**3,968,942**	6,358,703
	460,636,247	459,352,353
Reinsurance premium ceded		
Reinsurance premiums ceded	**(186,109,027)**	(184,516,982)
Change in reinsurance share of unearned premiums	**(1,831,192)**	7,766,762
Change in reinsurance share of unexpired risk reserve ("URR")	**(9,056,288)**	(7,415,537)
	(196,996,507)	(184,165,757)
Net insurance premium revenue	**263,639,740**	275,186,596

21 Interest income

	For the year ended 31 December	
	2022 AED	2021 AED
Interest income from fixed deposits	**5,682,453**	6,620,378
Interest income from financial assets at FVTOCI	**3,938,466**	1,852,817
	9,620,919	8,473,195

22 Investment income

	For the year ended 31 December	
	2022	2021
	AED	AED
Dividend income from financial investments	**65,944**	774,714
Net income from investment properties	**-**	183,929
Realised gain on disposal of debt instruments measured at FVTOCI (Note 7)	**-**	1,102,114
Realised gain on disposal of investment properties *	**-**	4,805,380
	65,944	6,866,137

* The Company previously held a plot of land located in Sharjah, UAE and 4 villas located in Dubai, UAE and were classified as investment properties. During the year ended 31 December 2021, management sold the investment properties to independent third parties for AED 20.1 million which has resulted in a gain on disposal of AED 4.8 million.

23 Social contributions

Social contributions during the year ended 31 December 2022 amounted to AED 31,980 (2021: AED 17,632).

24 Basic and diluted (loss) / earnings per share

	2022	2021
(Loss) / profit for the year ended 31 December (in AED)	**(34,974,479)**	10,471,855
Weighted average number of shares as at 31 December	**121,275,000**	121,275,000
Basic and diluted (loss) / earnings per share for the year ended 31 December (in AED per share)	**(0.29)**	0.09

Basic and diluted (loss) / earnings per share is calculated by dividing the (loss) / profit for the year by the number of weighted average shares outstanding as at year end. Diluted (loss) / earnings per share for the years ended 31 December 2022 and 2021 is equivalent to basic (loss) / earnings per share as the Company did not issue any new instrument that would impact (loss) / earnings per share when executed.

25 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.

Amounts due from / (to) related parties included in the statement of financial position

	As at 31 December	
	2022	2021
	AED	AED
Due from Parent company (premiums receivable)	**5,240,255**	9,036,076
Due from directors (premiums receivable)	**44,648**	6,300
Due from other related parties under common control (premiums receivable)	**11,714,961**	12,812,087
Total due from related parties (Note 10)	**16,999,864**	21,854,463
Due to Parent company (commission payable)	**(18,938,754)**	(13,428,722)
Due to other related parties under common control (claims payable)	**(861,765)**	(34,503)
Total due to related parties (Note 16)	**(19,800,519)**	(13,463,225)
Fixed deposits placed with Parent company	**124,017,267**	41,725,250
Bank balances placed with Parent company	**8,634,651**	35,988,821
Bank borrowings (Parent company) (Note 17)	**-**	(33,056,997)
Accrued interest payable on bank borrowings (Parent company)	**-**	(23,648)
Allowance for impairment on premiums receivable and bank balances (Parent company)	**(466,474)**	(107,180)

Balances due from and to related parties are interest free and repayable on demand, except for the bank borrowings disclosed in Note 17.

25 Related party balances and transactions (continued)

Transactions with related parties during the year

	For the year ended 31 December	
	2022	2021
	AED	AED
Gross written premiums (Parent company)	**123,857,020**	127,788,929
Gross written premiums (Directors)	**157,611**	98,585
Gross written premiums (other related parties under common control)	**27,469,174**	26,490,028
Commission expenses (Parent Company)	**(46,365,159)**	(53,632,507)
Claims paid (Parent company)	**(56,868,155)**	(61,218,606)
Claims paid (Directors)	**(66,715)**	-
Claims paid (other related parties under common control)	**(2,895,272)**	(1,315,263)
Rent expenses (Parent company)	**(475,000)**	(475,000)
Central function support recharges (parent company)	**(1,000,000)**	(500,000)
Interest income (Parent company)	**1,988,509**	616,282
Dividends (Parent company)	**(7,687,069)**	(7,687,069)
Dividends (Directors)	**(1,538,560)**	(1,511,200)
Interest expense (Parent company)	**(480,359)**	(23,648)
Provision for impairment (Parent company)	**(359,294)**	(380,241)

During the year ended 31 December 2022, the Company purchased financial assets at FVTOCI amounting to AED 19.9 million and did not sell any financial assets at FVTOCI (31 December 2021: purchased financial assets at FVTOCI amounting to AED 100.8 million and sold financial assets at FVTOCI amounting to AED 53.4 million) through the Parent company to / from external parties.

Compensation of Board of Directors and key management personnel

	For the year ended 31 December	
	2022	2021
	AED	AED
Short-term benefits	**7,680,255**	6,010,314
Long-term benefits	**467,931**	266,836
Board of Directors’ remuneration	**-**	1,000,000

26 General and administrative expenses

	For the year ended 31 December	
	2022	2021
	AED	AED
Staff costs (Note 27)	**37,434,423**	34,540,893
Professional fees	**4,298,306**	2,108,197
Marketing expenses	**349,068**	315,386
Communication expenses	**927,840**	814,509
Travel and entertainment expenses	**206,844**	154,436
Depreciation of property and equipment (Note 5)	**862,677**	1,114,037
Depreciation of investment properties	**-**	42,651
Amortisation of intangible assets (Note 6)	**1,516,388**	1,483,278
Rental costs – operating leases	**1,151,544**	1,148,805
Administration and license expenses	**2,821,080**	1,467,538
IT, utilities and maintenance	**4,276,434**	3,983,125
Supervision and training fees	**2,101,517**	2,271,777
Bank charges	**1,740,461**	911,493
Other expenses	**1,582,552**	4,921,839
	59,269,134	55,277,964

27 Staff costs

	For the year ended 31 December	
	2022	2021
	AED	AED
Salaries and allowances	**31,692,693**	27,506,404
Employees' end of service benefits (Note 15)	**1,713,835**	1,136,399
Staff insurance	**1,696,232**	1,668,633
Other staff benefits	**2,331,663**	4,229,457
	37,434,423	34,540,893

28 Other underwriting income

Other underwriting income include admin fee earned for Credit Islamic Business on fronting arrangements with other insurance companies in the UAE.

29 Contingent liabilities

	As at 31 December	
	2022	2021
	AED	AED
Letters of guarantee	**10,567,341**	10,567,481

Letters of guarantee includes AED 10 million (31 December 2021: AED 10 million) issued in favour of the CBUAE.

Certain fixed deposits with carrying amount of AED 600,000 as at 31 December 2022 (2021: AED 600,000) are under lien against letters of guarantee (Note 12).

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

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

30 Insurance risk

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

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit and Risk Committee, which is responsible for developing and monitoring the Company's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

30 Insurance risk (continued)

Risk management framework (continued)

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

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

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

Underwriting strategy

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

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

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy.

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

30 Insurance risk (continued)

30.1 Frequency and severity of claims

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

The Company has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim for both short and long-term insurance contracts. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

The reinsurance arrangements include excess of loss and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 245,000 per vehicle/Event for motor insurance and AED 100,000 per member for medical insurance class of business in any policy (2021: AED 350,000 for motor insurance and AED 100,000 for medical insurance). Similarly, net loss retained for general lines of business will not exceed AED 1,500,000 and for event loss AED 4,500,000. In addition to the overall Company reinsurance program, business units are permitted to purchase additional facultative reinsurance protection, if needed.

The following tables disclose the concentration of insurance liabilities by line of business. The amounts are the carrying amount of the insurance liabilities (gross and net of reinsurance) arising from the insurance contracts:

	As at 31 December 2022		
	Gross AED	**Reinsurance AED**	**Net AED**
Motor	**77,110,386**	**(25,174,028)**	**51,936,358**
Marine and aviation	**6,237,003**	**(4,660,015)**	**1,576,988**
Medical	**121,912,295**	**(31,337,254)**	**90,575,041**
Life	**37,043,527**	**(21,481,261)**	**15,562,266**
Engineering, fire, general accidents and others	**130,546,879**	**(109,633,015)**	**20,913,864**
	372,850,090	**(192,285,573)**	**180,564,517**

30 Insurance risk (continued)

30.1 Frequency and severity of claims (continued)

	As at 31 December 2021		
	Gross AED	**Reinsurance AED**	**Net AED**
Motor	67,220,181	(26,894,851)	40,325,330
Marine and aviation	5,002,760	(4,039,770)	962,990
Medical	161,060,630	(44,173,122)	116,887,508
Life	54,496,783	(34,514,232)	19,982,551
Engineering, fire, general accidents and others	127,782,119	(107,669,927)	20,112,192
	415,562,473	(217,291,902)	198,270,571

30.2 Sources of uncertainty in the estimation of future claim payments

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

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing some claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

The liability for these contracts comprises a provision for IBNR and a provision for reported claims not yet paid at the end of the reporting period.

The amount of insurance claims is in some cases sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort.

30 Insurance risk (continued)

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

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

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

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

	For the year ended 31 December 2022		**For the year ended 31 December 2021**	
	Gross loss ratio	**Net loss ratio**	**Gross loss ratio**	**Net loss ratio**
Motor	**99%**	**110%**	64%	71%
Marine and aviation	**17%**	**18%**	-7%	-20%
Medical	**90%**	**89%**	82%	81%
Life	**4%**	**-1%**	58%	13%
Engineering, fire, general accidents and others	**19%**	**16%**	71%	18%

The Company believes that the claim liabilities under insurance contracts outstanding at the year-end are adequate. However, these amounts are not certain and actual payments may differ from the claims liabilities provided in the financial statements. The insurance claim liabilities are sensitive to the various assumptions. It has not been possible to quantify the sensitivity of specific variable such as legislative changes or uncertainty in the estimation process.

A hypothetical 1% change in the loss ratio, net of reinsurance, would impact net underwriting income / (loss) as follows:

30 Insurance risk (continued)

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

	For the year ended 31 December	
	2022	2021
	AED	AED
Impact of change in loss ratio by +/- 1%		
Motor	**439,919**	321,249
Marine and aviation	**2,613**	9,496
Medical	**1,420,496**	1,654,178
Life	**(4,124)**	535,801
Engineering, fire, general accidents and others	**35,645**	241,710
	1,894,549	2,762,434

30.3 Process used to decide on assumptions

The risks associated with insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The Company uses several statistical methods to incorporate the various assumptions made in order to estimate the ultimate cost of claims. The two methods more commonly used are the chain-ladder and the Bornhuetter-Ferguson methods.

Chain-ladder methods may be applied to premiums, paid claims or incurred claims (for example, paid claims plus case estimates). The basic technique involves the analysis of historical claims development factors and the selection of estimated development factors based on this historical pattern. The selected development factors are then applied to cumulative claims data for each accident year that is not yet fully developed to produce an estimated ultimate claims cost for each accident year. Chain-ladder techniques are most appropriate for those accident years and classes of business that have reached a relatively stable development pattern. Chain-ladder techniques are less suitable in cases in which the insurer does not have a developed claims history for a particular class of business.

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

30 Insurance risk (continued)

30.3 Process used to decide on assumptions (continued)

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

The Company did not change its assumptions for the valuation of the insurance contract liabilities during the year other than those disclosed in note 9.

30.4 Concentration of insurance risk

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

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

31 Capital risk management

The Company's objectives when managing capital, which the Company considers to be the equity as shown in the statement of financial position, are:

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

31 Capital risk management (continued)

In the UAE, the CBUAE specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum required capital of the Company and the total capital held.

	As at 31 December	
	2022	2021
	AED	AED
Total capital held	**121,275,000**	121,275,000
Minimum regulatory capital	**100,000,000**	100,000,000

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 UAE should be owned by UAE or GCC national individuals or corporate bodies. The Company is in compliance with these rules.

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

	As at 31 December	
	2022	2021
	AED	AED
	(Unaudited)	(Unaudited)
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**56,600,411**	76,722,329
Minimum Guarantee Fund (MGF)	**71,909,398**	64,592,340
Basic Own Funds	**115,146,083**	152,963,193
Ancillary Own Funds		
MCR Solvency Margin - Minimum Capital Requirement Surplus / (Deficit)	**15,146,083**	52,963,193
SCR Solvency Margin - Solvency Capital Requirement Surplus / (Deficit)	**58,545,671**	76,240,864
MGF Solvency Margin – Minimum Guarantee Fund Surplus / (Deficit)	**43,236,685**	88,370,853

32 Financial instruments

32.1 Significant accounting policies

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

32.2 Categories of financial instruments

	As at 31 December	
	2022	2021
	AED	AED
Financial assets		
Statutory deposit – at amortised cost	**10,000,000**	10,000,000
FVTOCI investments – debt	**106,416,035**	111,801,771
FVTOCI investments – equity	**1,994,312**	733,705
Bank balances and fixed deposits – at amortised cost	**267,312,379**	192,385,619
Insurance and other receivables (excluding advances and prepayments) – at amortised cost	**109,887,924**	168,287,958
Cash and cash equivalents – at amortised cost	**9,628,747**	57,392,932
	505,239,397	540,601,985
Financial liabilities		
Bank borrowings – at amortised cost	**50,000,000**	33,056,997
Insurance and other payables (excluding accrued expenses) – at amortised cost	**128,243,873**	117,006,204
	178,243,873	150,063,201

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

32.3 Fair value measurements

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

32 Financial instruments (continued)

32.3 Fair value measurements (continued)

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

- Level 1 - the fair value of financial instruments traded in an active market is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in Level 1.

- Level 2 - the fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are unobservable, the instrument is included in Level 2.

- Level 3 - if one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

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

The fair values of financial assets and financial liabilities are determined using the same valuation techniques and assumptions as those used for the year ended 31 December 2021.

Fair value of the Company's financial assets that are measured at fair value on recurring basis

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

Financial assets	Fair value as at 31 December		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
	2022 **AED**	2021 AED				
Debt securities	**106,416,035**	104,491,681	Level 1	Quoted bid prices in an active market.	None	Not applicable
Debt securities	**-**	7,310,090	Level 2	Quoted bid prices from third parties.	None	Not applicable
Quoted equity	**1,994,312**	733,705	Level 1	Quoted bid prices in an active market.	None	Not Applicable

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

33 Financial risk

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

33.1 Market risk

Market risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risks may arise from open positions in (a) foreign currencies and (b) interest bearing assets and liabilities, to the extent they are exposed to general and specific market movements. Management sets limits on the exposure to currency and interest rate risk that may be acceptable, which are monitored on a regular basis.

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

33.1.1 Foreign currency risk

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

Management believes that there is a minimal risk of significant losses due to exchange rate fluctuations and consequently the Company has not hedged its foreign currency exposure.

33.1.2 Equity and debt price risk

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

At the end of the reporting period, if the equity and debt prices are 10% higher / lower as per the assumptions mentioned below and all the other variables were held constant, the Company's other comprehensive income for the year ended 31 December 2022 would have increased / (decreased) by AED 10,841,035 (year ended 31 December 2021: AED 11,253,548).

33 Financial risk (continued)

33.1 Market risk (continued)

33.1.2 Equity and debt price risk (continued)

Method and assumptions for sensitivity analysis:

- The sensitivity analysis has been done based on the exposure to equity and debt price risk as at the end of the reporting period.
- As at the end of the reporting period if equity and debt prices are 10% higher / lower on the market value uniformly for all equity and debt while all other variables are held constant, the impact on profit and other comprehensive income for the year has been shown above.
- A 10% change in equity and debt prices has been used to give a realistic assessment as a plausible event.

33.1.3 Interest rate risk

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

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

If at the end of the reporting period, the interest rates on the bank borrowings had been 100 basis points higher / lower and all other variables were held constant, the Company's profit for the year ended 31 December 2022 would have decreased / increased by nil (year ended 31 December 2021: AED 22,956).

33.2 Credit risk

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

Key areas where the Company is exposed to credit risk are:

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

33 Financial risk (continued)

33.2 Credit risk (continued)

The Company has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored, and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by Management annually. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

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

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

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

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

33 Financial risk (continued)

33.2 Credit risk (continued)

On that basis, the impairment provision as at 31 December 2022 and 2021 was determined as follows for insurance and other receivables based on the expected loss rates disclosed in Note 10:

	As at 31 December 2022		
	Gross carrying amount AED	**Impairment AED**	**Net AED**
Not yet due	**59,536,441**	**(446,541)**	**59,089,900**
0 - 90 days	**36,466,094**	**(1,551,625)**	**34,914,469**
91 - 180 days	**5,641,077**	**(809,901)**	**4,831,176**
181 - 270 days	**5,315,925**	**(1,368,201)**	**3,947,724**
271 – 365 days	**5,281,603**	**(2,214,578)**	**3,067,025**
Over 365 days	**26,210,013**	**(22,657,645)**	**3,552,368**
	138,451,153	**(29,048,491)**	**109,402,662**

	As at 31 December 2021		
	Gross carrying amount AED	**Impairment AED**	**Net AED**
Not yet due	76,678,261	(575,550)	76,102,711
0 - 90 days	47,841,493	(2,040,952)	45,800,541
91 - 180 days	19,535,766	(2,087,978)	17,447,788
181 - 270 days	7,906,262	(1,799,150)	6,107,112
271 – 365 days	6,437,286	(2,392,861)	4,044,425
Over 365 days	31,606,557	(23,678,718)	7,927,839
	190,005,625	(32,575,209)	157,430,416

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities. Insurance and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance and other receivables.

As at 31 December 2022 and 2021, all premium receivables are situated within the UAE.

The majority of the company's premium receivables are unrated except balances with the Parent company amounting to AED 5 million (2021: AED 9 million) (Note 25) which has rating of Baa. However, the Company in the ordinary course of business deals with reputable local companies and has the ability to net receivables with claims payable and cancel policies if there are no payments.

33 Financial risk (continued)

33.2 Credit risk (continued)

The Company's maximum exposure to credit risk, from reinsurance companies' receivables situated outside the UAE were as follows:

	As at 31 December	
	2022	2021
	AED	AED
Europe	**2,918,766**	31,310,667
Asia	**-**	5,275,076
Other MENA countries	**5,467,332**	220,181
Africa	**-**	52,727
USA	**17,973**	-
	8,404,071	36,858,651

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

	As at 31 December	
	2022	2021
	AED	AED
Aa3	**2,655,826**	-
A1	**22,594**	14,481,792
A2	**336,397**	176,041
A3	**4,665,270**	21,880,495
Baa1	**4,332,924**	3,536,106
Baa2	**123,521**	-
Baa3	**453,618**	-
Ba1	**264,049**	-
B1	**350,322**	-
	13,204,521	40,074,434

A 10% increase / (decrease) in historical loss experience based on which the credit loss allowances for insurance and other receivables were estimated at 31 December 2022 would result in an increase / (decrease) in credit loss allowances of AED 816,555 (2021: AED 1,674,401).

There is no significant concentration of credit risk with respect to cash and bank balances, as the Company holds cash accounts in a large number of financial institutions. Of the bank balances and fixed deposits balance at the end of year, AED 133 million (2021: AED 110 million) is placed with one bank. The credit risk on liquid funds is limited because the single largest counterparty is a UAE sovereign bank.

33 Financial risk (continued)

33.2 Credit risk (continued)

The table below presents an analysis of bank balances and fixed deposits by rating agency designation at the end of the reporting period based on Moody's rating or its equivalent for the main banking relationships:

	As at 31 December	
	2022	2021
	AED	AED
Aa3	**869,508**	3,671,685
A1	**189**	94,673
A2	**-**	2,081,588
A3	**8,235**	-
Baa1	**286,063,194**	251,313,733
Not rated	**-**	2,592,305
	286,941,126	259,753,984

The Company's financial assets at FVTOCI are held across various countries. The table below presents an analysis of financial assets at FVTOCI by rating agency designation at the end of the reporting period based on Moody's rating or its equivalent:

	As at 31 December	
	2022	2021
	AED	AED
Aa2	**13,203,552**	10,024,453
Aa3	**5,433,573**	-
A1	**12,971,124**	9,983,624
A2	**6,431,626**	20,758,355
A3	**8,594,724**	10,051,289
Baa1	**11,962,576**	-
Baa2	**1,961,285**	582,330
Baa3	**8,548,433**	9,782,540
Ba1	**4,843,013**	6,955,405
Ba2	**17,112,292**	7,268,939
Ba3	**5,307,952**	16,919,855
B1	**7,248,595**	7,829,372
Not rated	**4,791,602**	12,379,314
	108,410,347	112,535,476

All the Company's debt investments measured at fair value through other comprehensive income are considered to have low credit risk, and the impairment charge recognised during the year was therefore limited to 12 months' expected losses. A 10% increase / (decrease) in the probability of default and loss given default estimates as at 31 December 2022 would result in an increase / (decrease) of AED 61,554 (2021: increase / (decrease) of AED 210,591) in total expected credit loss allowances on FVTOCI investments, bank balances and fixed deposits.

33 Financial risk (continued)

33.3 Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. Ultimate responsibility for liquidity risk management rests with the management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements.

The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities to ensure that funds are available to meet its commitments for liabilities as they fall due.

The table below summarises the maturity profile of the Company's financial assets, financial liabilities, insurance contract liabilities and reinsurance contracts assets held. The maturity analysis has been presented on a contractual undiscounted cash flow basis except for insurance contract liabilities and reinsurance contract assets held which have been presented on their expected cash flows.

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

33 Financial risk (continued)

33.3 Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	5+ years AED	No maturity AED	Total AED
31 December 2022					
Financial assets					
FVTOCI investments – debt	**1,868,018**	**37,821,836**	**66,726,181**	**-**	**106,416,035**
FVTOCI investments – equity	**-**	**-**	**-**	**1,994,312**	**1,994,312**
Statutory deposit	**-**	**-**	**-**	**10,000,000**	**10,000,000**
Insurance and other receivables (excluding advances and prepayments)	**109,887,924**	**-**	**-**	**-**	**109,887,924**
Bank balances and fixed deposits	**153,578,256**	**113,734,123**	**-**	**-**	**267,312,379**
Cash and cash equivalents	**9,628,747**	**-**	**-**	**-**	**9,628,747**
	274,962,945	**151,555,959**	**66,726,181**	**11,994,312**	**505,239,397**
Financial liabilities					
Bank borrowings	**50,000,000**	**-**	**-**	**-**	**50,000,000**
Insurance and other payables (excluding accrued expenses)	**128,243,873**	**-**	**-**	**-**	**128,243,873**
	178,243,873	**-**	**-**	**-**	**178,243,873**

33 Financial risk (continued)

33.3 Liquidity risk (continued)

	Less than 1 year AED	1-5 years AED	5+ years AED	Total AED
31 December 2022				
Insurance contract liabilities				
Outstanding claims	102,141,063	28,272,702	34,266	130,448,031
Unallocated loss adjustment expense reserve	5,105,529	1,413,213	1,713	6,520,455
Claims incurred but not reported	35,058,584	9,704,235	11,761	44,774,580
Unexpired risk reserve	5,905,372	7,856,396	-	13,761,768
Unearned premiums	80,045,155	85,820,015	-	165,865,170
Mathematical reserve	-	11,480,086	-	11,480,086
	228,255,703	144,546,647	47,740	372,850,090
Reinsurance contract assets				
Outstanding claims	(73,934,921)	(22,981,604)	(20,160)	(96,936,685)
Claims incurred but not reported	(20,285,360)	(6,932,975)	(4,373)	(27,222,708)
Unexpired risk reserve	(2,231,228)	(2,392,201)	-	(4,623,429)
Unearned premiums	(30,570,519)	(32,776,031)	-	(63,346,550)
Mathematical reserve	-	(156,201)	-	(156,201)
	(127,022,028)	(65,239,012)	(24,533)	(192,285,573)

33 Financial risk (continued)

33.3 Liquidity risk (continued)

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

33 Financial risk (continued)

33.3 Liquidity risk (continued)

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

33 Financial risk (continued)

33.4 Operational risk

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

34 Segment information

The Company is organised into two segments: Life and Medical as one segment and Motor and General as the other segment. These segments are the basis on which the Company reports its primary segment information to the Acting Chief Executive Officer. Gross written premiums represent the total income arising from insurance contracts. The Company does not conduct any business outside UAE. There are no transactions between the business segments. The following is an analysis of the Company's statement of profit or loss classified by major segments:

	For the year ended 31 December 2022		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	279,081,380	153,903,236	432,984,616
Net insurance premium revenue earned	208,063,757	55,575,983	263,639,740
Net claims settled	(147,625,991)	(37,683,547)	(185,309,538)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	4,748,251	(3,806,349)	941,902
Net claims incurred	(142,877,740)	(41,489,896)	(184,367,636)
Commission earned	13,604,530	4,894,953	18,499,483
Commissions paid	(59,151,488)	(20,586,441)	(79,737,929)
Net commission incurred	(45,546,958)	(15,691,488)	(61,238,446)
Gross underwriting income	19,639,059	(1,605,401)	18,033,658
General and administrative expenses	(30,279,817)	(28,989,317)	(59,269,134)
Allowance for impairment	(5,471,266)	(1,736,685)	(7,207,951)
Other underwriting income	3,652,493	-	3,652,493
Net underwriting loss	(12,459,531)	(32,331,403)	(44,790,934)
Interest income	1,806,010	7,814,909	9,620,919
Investment income	-	65,944	65,944
Other income	-	129,592	129,592
Loss for the year	(10,653,521)	(24,320,958)	(34,974,479)

34 Segment information (continued)

	For the year ended 31 December 2021		
	Life and Medical AED	**Motor and General AED**	**Total AED**
Gross written premiums	329,012,009	140,136,318	469,148,327
Net insurance premium revenue earned	221,308,471	53,878,125	275,186,596
Net claims settled	(139,608,042)	(20,933,002)	(160,541,044)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	(1,966,659)	(4,282,453)	(6,249,112)
Net claims incurred	(141,574,701)	(25,215,455)	(166,790,156)
Commission earned	5,230,670	13,129,932	18,360,602
Commissions paid	(59,583,242)	(16,753,303)	(76,336,545)
Net commission incurred	(54,352,572)	(3,623,371)	(57,975,943)
Gross underwriting income	25,381,198	25,039,299	50,420,497
General and administrative expenses	(30,381,892)	(24,896,072)	(55,277,964)
Allowance for impairment	(1,108,063)	(464,854)	(1,572,917)
Other underwriting income	1,536,293	21,207	1,557,500
Net underwriting loss	(4,572,464)	(300,420)	(4,872,884)
Interest income	3,274,344	5,198,851	8,473,195
Investment income	2,941,806	3,924,331	6,866,137
Other income	-	5,407	5,407
Profit for the year	1,643,686	8,828,169	10,471,855

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

	Life and Medical AED	**Motor and General AED**	**Total AED**
As at 31 December 2022			
Total assets	**273,790,326**	**454,650,240**	**728,440,566**
Total equity	**(11,571,206)**	**156,511,707**	**144,940,501**
Total liabilities	**285,361,532**	**298,138,533**	**583,500,065**
As at 31 December 2021			
Total assets	330,739,534	466,064,520	796,804,054
Total equity	3,933,315	198,729,411	202,662,726
Total liabilities	326,806,219	267,335,109	594,141,328

35 Dividend and directors' remuneration

At the Annual General Meeting held on 14 April 2022, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 and Board of Directors' remuneration of AED 835,780 for the year ended 31 December 2021. The dividend pertaining to the year ended 31 December 2021 was paid on 20 April 2022. (2021: at the Annual General Meeting held on 14 April 2021, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 and Board of Directors' remuneration of AED 1,347,546 for the year ended 31 December 2020. The dividend pertaining to the year ended 31 December 2020 was paid on 15 April 2021).

36 Subsequent events

There have been no events subsequent to the statement of financial position date that would significantly affect the amounts reported in the financial statements.

37 Approval of the financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 20 February 2023. The Board of Directors have the power to amend and reissue the financial statements.