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

AUDITOR'S REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020

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

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dubai National Insurance & Reinsurance Co. (P.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2020. 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 matters	How our audit addressed the key audit matters
1) Valuation of insurance contract liabilities	
As disclosed in note 11 to these financial statements, the Company's insurance contract liabilities amounted to AED 303.723 million as at December 31, 2020. Valuation of these liabilities involves significant judgement and requires number of assumptions to be made that have high estimation uncertainty.	Evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims; Compared on a sample basis the outstanding claims reserves with the subsequent payments, if settled or subsequent reserve amounts, if unsettled;

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Independent Auditor's Report (continued)

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
1) Valuation of insurance contract liabilities (continued)	
This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported ("IBNR") to the Company. IBNR is calculated by an independent qualified actuary for the Company. Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business. The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.	Assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process; Checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and Assessing the Company's disclosure in relation to these liabilities including claims development table is appropriate.

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Independent Auditor's Report (continued)

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

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matters
2) Valuation of unquoted investments	
As disclosed in note 7 to these financial statements, the Company's financial investments include unquoted equity investments amounting to AED 42.853 million as at December 31, 2020. The determination of the fair value of unquoted equity investments involves significant judgments which include valuation techniques used and available sources of observable data. The valuation for majority of the Company's unquoted investments were carried out by third party valuers ("valuers"). In determining the fair values, the valuers consider future cash flows, discounted at appropriate discount rates, latest dividends, market values of similar assets / companies, latest available financial statements, etc. We consider the valuation of unquoted investments a key audit matter, given the significant assumptions and judgments involved.	Evaluated the competence, objectivity and independence of the management appointed valuer; Evaluated the completeness of the source data used in the calculation of fair value; Engaged our internal expert to evaluate the methodologies and appropriateness of the assumptions used by the valuer; and Checked the appropriateness of the disclosures made in relation to valuation on unquoted investments in these financial statements.

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Independent Auditor's Report (continued)

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

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in 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 accordingly we do not express any form of assurance conclusion thereon.

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 (as amended) and Federal Law No.6 of 2007 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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Independent Auditor's Report(continued)

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

Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

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

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

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

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

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

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Independent Auditor's Report (continued)

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

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

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

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

iii) The Company has maintained proper books of account;

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

v) Note 7 to the financial statements discloses purchase of marketable securities by the Company during the year ended 31 December 2020;

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

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No.(2) of 2015 (as amended) or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2020.

For, Crowe Mak

Dr. Khalid Maniar

Founder & Managing Partner

Registration Number 24

Dubai, U.A.E.

11 February 2021

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Statement of financial position
As at 31 December 2020

	Notes	2020 AED'000	2019 AED'000
ASSETS			
Non-current assets			
Statutory deposits	4	10,000	10,000
Property and equipment	5	582	564
Investment property	6	72,203	74,052
		82,785	84,616
Current assets			
Financial assets at fair value through other comprehensive income	7	426,882	502,600
Insurance receivables	8	70,371	96,988
Other receivables	9	24,231	29,191
Due from related parties	10	31,256	23,470
Reinsurance contract assets	11	197,462	229,804
Cash and cash equivalents	12	97,945	113,931
		848,147	995,984
TOTAL ASSETS		930,932	1,080,600
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	115,500	115,500
Legal reserve	14	57,750	57,750
General reserve	15	180,000	180,000
Reinsurance reserve	16	1,059	-
Fair value reserve on financial assets at fair value through other comprehensive income		77,917	157,857
Retained earnings		74,662	58,336
TOTAL EQUITY		506,888	569,443
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	17	7,092	6,479
Current liabilities			
Insurance contract liabilities	11	303,723	341,957
Insurance payables	18	65,148	115,648
Other payables	19	43,789	46,130
Due to related parties	10	4,292	943
		416,952	504,678
TOTAL LIABILITIES		424,044	511,157
TOTAL EQUITY AND LIABILITIES		930,932	1,080,600

These financial statements were approved by the Board of Directors on 11 February 2021 and signed on their behalf by:

Khalaf Ahmad Al Habtoor
Chairman

Mohammed Khalaf Al Habtoor
Managing Director

The notes from 1 to 34 form an integral part of these financial statements.

Statement of profit or loss
For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Gross premiums		**317,271**	381,043
Reinsurance share of premiums		**(211,712)**	(256,193)
Net premiums		**105,559**	124,850
Net transfer from / (to) unearned premium reserve	11 (a)	**12,158**	(4,615)
Net premiums earned		**117,717**	120,235
Commission earned		**18,045**	21,399
Commission paid		**(41,464)**	(43,948)
Others		**2,989**	1,997
Gross underwriting income		**97,287**	99,683
Gross claims paid		**316,408**	233,433
Reinsurance share		**(278,979)**	(194,575)
Net claims paid		**37,429**	38,858
Provision for outstanding claims and technical provisions		**(994)**	28,845
Reinsurance share of outstanding claims and technical provisions		**7,262**	(23,453)
Net claims incurred		**43,697**	44,250
Net underwriting income		**53,590**	55,433
Income from investments – net	20	**22,677**	26,768
Income from investment property – net	21	**4,512**	6,430
Other income	22	**-**	30
Gross income		**80,779**	88,661
General and administrative expenses	23	**(25,706)**	(30,576)
Net profit for the year		**55,073**	58,085
		AED	AED
Earnings per share:			
Basic and diluted	24	**0.48**	0.50

The notes from 1 to 34 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2020

	2020 AED'000	2019 AED'000
Net profit for the year	**55,073**	58,085
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised (loss) / profit on financial assets at fair value through other comprehensive income	**(71,802)**	62,747
Total comprehensive (loss) / income for the year	**(16,729)**	120,832

The notes from 1 to 34 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2020

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Reinsurance reserve AED'000	Fair value reserve on financial assets at fair value through other AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at 1 January 2019	115,500	57,750	28,875	180,000	-	95,110	63,810	541,045
Dividend	-	-	-	-	-	-	(86,625)	(86,625)
Directors' remuneration (note 19)	-	-	-	-	-	-	(5,809)	(5,809)
Transferred to retained earnings	-	-	(28,875)	-	-	-	28,875	-
Transactions with owners	-	-	(28,875)	-	-	-	(63,559)	(92,434)
Net profit for the year	-	-	-	-	-	-	58,085	58,085
Net unrealised profit on financial asset at fair value through other comprehensive income	-	-	-	-	-	62,747	-	62,747
Total comprehensive income for the year	-	-	-	-	-	62,747	58,085	120,832
Balance as at 31 December 2019	**115,500**	**57,750**	**-**	**180,000**	**-**	**157,857**	**58,336**	**569,443**
Dividend (note 26)	-	-	-	-	-	-	(40,425)	(40,425)
Directors' remuneration (note 19)	-	-	-	-	-	-	(5,401)	(5,401)
Transactions with owners	-	-	-	-	-	-	(45,826)	(45,826)
Net profit for the year	-	-	-	-	-	-	55,073	55,073
Transfer to reinsurance reserve	-	-	-		1,059	-	(1,059)	-
Transferred to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(8,138)	8,138	-
Net unrealised (loss) on financial asset at fair value through other comprehensive income	-	-	-	-	-	(71,802)	-	(71,802)
Total comprehensive (loss) for the year	**-**	**-**	**-**	**-**	**1,059**	**(79,940)**	**62,152**	**(16,729)**
Balance as at 31 December 2020	**115,500**	**57,750**	**-**	**180,000**	**1,059**	**77,917**	**74,662**	**506,888**

The notes from 1 to 34 form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Net profit for the year		**55,073**	58,085
Adjustments for:			
Depreciation on property and equipment	5	**325**	350
Depreciation on investment property	6	**1,849**	1,847
(Gain) on disposal of property and equipment	22	**-**	(30)
Provision for employees' end of service benefits	17	**844**	1,197
Insurance contract provisions		**(38,234)**	48,953
Reinsurance contract assets		**32,342**	(38,916)
Income from investments – net	20	**(22,677)**	(26,768)
Income from investment property		**(6,361)**	(8,277)
Operating cash flows before changes in working capital		**23,161**	36,441
Changes in working capital:			
Insurance receivables		**26,617**	(18,237)
Other receivables		**4,960**	(1,334)
Insurance payables		**(50,500)**	21,497
Other payables		**(7,742)**	(2,553)
Due from/(to) related parties – net		**(4,437)**	(12,235)
Cash (used in) / generated from operations		**(7,941)**	23,579
Employees' end of service benefits paid	17	**(231)**	(215)
Net cash (used in) / generated from operating activities		**(8,172)**	23,364
Cash flows from investing activities			
Purchase of property and equipment	5	**(343)**	(429)
Purchase of financial assets at fair value through other comprehensive income	7	**(58,893)**	-
Proceeds from disposal of financial assets at fair value through other comprehensive income		**62,809**	-
Proceeds from disposals of property and equipment		**-**	32
Income from investments – net	20	**22,677**	26,768
Income from investment property		**6,361**	8,277
Net cash generated from investing activities		**32,611**	34,648
Cash flows from financing activity			
Dividend paid	26	**(40,425)**	(86,625)
Net cash used in financing activity		**(40,425)**	(86,625)
Net change in cash and cash equivalents		**(15,986)**	(28,613)
Cash and cash equivalents at beginning of the year		**113,931**	142,544
Cash and cash equivalents at end of the year	12	**97,945**	113,931

The notes from 1 to 34 form an integral part of these financial statements.

1 Legal status and activities

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

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

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

2 Statement of compliance with IFRS

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

2.1 Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the board has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2020.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in IFRS Standards The Company has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC- 32.	1 January 2020

2 Statement of compliance with IFRS (continued)

2.1 Impact of the initial application of other new and amended IFRS Standards that are effective for the current year (continued)

Amendments to IAS 1 and IAS 8 Definition of material The Company has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency	1 January 2020
Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7 These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.	1 January 2020

The amendments are relevant to The Company given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts The Company's accounting in the following ways:

• The Company has floating rate debt, linked to [CU IBOR], which is cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms;

• The Company has issued [Currency B]-denominated fixed rate debt which it fair value hedges using [Currency B]-fixed to [Currency B] IBOR interest rate swaps. The amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, [Currency B] IBOR, may no longer be separately identifiable. However, this relief does not extend to the requirement that the designated interest rate risk component must continue to be reliably measureable. If the risk component is no longer reliably measurable, the hedging relationship is discontinued.

• The Company will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Company consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are presented in note

2 Statement of compliance with IFRS (continued)

2.2 New and revised IFRS in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use: The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, a company recognises such sales proceeds and related costs in profit or loss. The Company measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of profit or loss and other comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the company's ordinary activities, and which line item(s) in the statement of profit or loss and other comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which The Company first applies the amendments. The Company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented. The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.	1 January 2022
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which The Company has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the Company first applies the amendments. Comparatives are not restated. Instead, the Company shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022

2 Statement of compliance with IFRS (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	*Effective for annual periods beginning on or after*
Annual Improvements to IFRS Standards 2018–2020 The Annual Improvements include amendments to four Standards. IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1 (a). IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, a company includes only fees paid or received between The Company (the borrower) and the lender, including fees paid or received by either The Company or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date The Company first applies the amendment. The amendment is applied prospectively, i.e. for fair value measurements on or after the date a company initially applies the amendment.	1 January 2022
***IFRS 17 Insurance Contracts*:** IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees. In, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which The Company first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.	1 January 2023

2 Statement of compliance with IFRS (continued)

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	*Effective for annual periods beginning on or after*
Amendments to IAS 1 – Classification of Liabilities as Current or Noncurrent: The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether a company will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.	1 January 2023

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of The Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods should such transactions arise.

3 Summary of significant accounting policies

3.1 Accounting convention

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

3.2 Property and equipment

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.3 Investment property

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

No depreciation is charged on freehold land.

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

Fair value of investment property is determined by independent surveyors only for disclosure purposes.

3.4 Revenue recognition

The Company has adopted IFRS 15 Revenue from Contracts with Customers. IFRS 15 establishes a single comprehensive following five-step model for entities to use in accounting for revenue arising from contracts with customers.

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the Company satisfies a performance obligation.

The Company has assessed that the impact of IFRS 15 is not material on the financial statements of the Company as at the reporting date and as at the date of the initial application, 1 January 2018, as significant portion of its revenue is in accordance with IFRS 4, Insurance Contracts.

Gross premiums

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

Commission on reinsurance

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

Interest income

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

Rental income

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

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Dividend income

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

3.5 Claims

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

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

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

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

3.6 Provision for IBNR

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

3.7 Provision for ULAE

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

3.8 Liability adequacy test

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

3.9 Unearned premium reserve

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

3 Summary of significant accounting policies (continued)

3.10 Unexpired risk reserves

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

3.11 Reinsurance premium

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

3.12 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.13 Financial instruments

a) Recognition, initial measurement and derecognition

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

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

b) Classification and subsequent measurement of financial assets

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

i) Financial assets at amortised cost

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

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

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

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

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

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

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

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

Fair value measurement

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

Gains or losses on subsequent measurement

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

c) Classification and subsequent measurement of financial liabilities

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

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

d) Impairment and uncollectability of financial assets

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

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

The Company has not recognised any impairment loss against equity instruments.

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

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

Measurement of ECL

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

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

3 Summary of significant accounting policies (continued)

3.13 Financial instruments (continued)

d) Impairment and uncollectability of financial assets (continued)

Measurement of ECL (continued)

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

e) Offsetting financial instruments

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

3.14 Receivables and payables related to insurance contracts

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

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

3.15 Employee benefits

Short-term employee benefits

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

Provision for employees' end of service benefits

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

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

3 Summary of significant accounting policies (continued)

3.16 Foreign currency transactions

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

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

3.17 Impairment of non-financial assets

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

3.18 Leases

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

3.19 Cash and cash equivalents

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

3.20 Provisions, contingent liabilities and contingent assets

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

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

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

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

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

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

3 Summary of significant accounting policies (continued)

3.21 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 14, 15 and 16 to the financial statements.

Retained earnings include all current and prior period retained profits and losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

3.22 Critical accounting estimates and judgements in applying accounting policies

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

Outstanding claims, IBNR, ULAE, UPR and URR

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

Classification of investment property and related fair value judgement

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

Fair value of investment property is estimated by an independent professional valuer for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Fair value of unquoted securities

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

Provision for doubtful debts

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

3.23 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

4 Statutory deposits

	2020 AED'000	2019 AED'000
Held with a local bank in Dubai, UAE	**10,000**	10,000

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

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At 1 January 2020	1,484	723	3,724	5,931
Additions	118	-	225	343
Disposal during the year	(4)	-	-	(4)
At 31 December 2020	**1,598**	**723**	**3,949**	**6,270**
Accumulated depreciation				
At 1 January 2020	1,452	405	3,510	5,367
Charge for the year	44	140	141	325
Eliminated on disposal during the year	(4)	-	-	(4)
At 31 December 2020	**1,492**	**545**	**3,651**	**5,688**
Net book value				
At 31 December 2020	**106**	**178**	**298**	**582**
Cost				
At 1 January 2019	2002	375	4,126	6,503
Additions	12	375	42	429
Disposal during the year	(530)	(27)	(444)	(1,001)
At 31 December 2019	1,484	723	3,724	5,931
Accumulated depreciation				
At 1 January 2019	1,944	329	3,743	6,016
Charge for the year	37	103	210	350
	(529)	(27)	(443)	(999)
At 31 December 2019	1,452	405	3,510	5,367
Net book value				
At 31 December 2019	32	318	214	564

6 Investment property

	2020 AED'000	2019 AED'000
Cost		
At 1 January	**105,721**	105,721
Accumulated depreciation		
At 1 January	**31,669**	29,822
Charge for the year	**1,849**	1,847
At 31 December	**33,518**	31,669
Net book value at 31 December	**72,203**	74,052

On 31 December 2020, Land Sterling Property Consultants LLC and Aneet Real Estate Valuation Services, independent and experienced professional valuers estimated the fair value of investment property at AED 140.04 million and AED 140.29 million respectively (2019: RealPoint Real Estate Consultancy LLC and Windmills Real Estate Valuation Services LLC, independent and experienced professional valuers estimated the fair value of investment property at AED 138.68 million and AED 139.8 million respectively). The valuers hold relevant professional qualifications and experience. Investment property is held for capital appreciation and rental purposes. The Company occupies an insignificant area of 10% (2019: 9%) in the investment property for use in its own business.

7 Financial assets at fair value through other comprehensive income

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

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

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

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2020					
Investment in quoted securities	(a)	**324,701**	**-**	**-**	**324,701**
Investment in unquoted securities*	(b)	**-**	**-**	**42,853**	**42,853**
Investment in debt securities		**59,328**	**-**	**-**	**59,328**
Net fair value		**384,029**	**-**	**42,853**	**426,882**
31 December 2019					
Investment in quoted securities	(a)	435,717	-	-	435,717
Investment in unquoted securities*	(b)	-	-	66,883	66,883
Net fair value		435,717	-	66,883	502,600

* The title of unquoted securities is held by related parties for the beneficial interest of the Company.

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

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

(b) The Company holds investments in unquoted equity securities of two entities as at 31 December 2020 (2019: three entities). These investments have been fair valued by an independent valuer based on an Earnings Multiple and Net asset value techniques (2019: Earnings multiples and Net asset value technique) using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the ended 31 December 2019 (2019: financial statements for the year ended 31 December 2018).

Fair values of these unquoted securities would have been different if the financial data of these non-public investees as at 31 December 2020 could be used based on its availability. These fair values are considered to be the best estimate given the availability of information. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimates is significant.

Movement in financial assets grouped in level 1

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

	2020 AED'000	2019 AED'000
Investments in quoted securities		
Balance as at 1 January	**435,717**	371,453
Disposals during the year	**(46,809)**	-
(Losses) / gains recognised in other comprehensive income	**(64,207)**	64,264
Balance as at 31 December	**324,701**	435,717

	2020 AED'000	2019 AED'000
Investments in debt securities		
Additions during the year	**58,893**	-
Gains recognised in other comprehensive income	**435**	-
Balance as at 31 December	**59,328**	-

Investments in debt securities represents the bonds carrying interest rate ranging from 4.5% to 7.1% per annum.

Movement in financial assets grouped in level 3

	2020 AED'000	2019 AED'000
Investments in unquoted securities		
Balance as at 1 January	**66,883**	68,400
Disposals during the year	**(16,000)**	-
Losses recognised in other comprehensive income	**(8,030)**	(1,517)
Balance as at 31 December	**42,853**	66,883

8 Insurance receivables

	2020 AED'000	2019 AED'000
Due from policy holders	**9,909**	15,560
Due from insurance companies	**7,461**	12,016
Due from reinsurance companies	**2,840**	3,186
Due from insurance brokers	**54,746**	70,505
	74,956	101,267
Provision for bad and doubtful debts	**(4,585)**	(4,279)
	70,371	96,988

The average credit period is 90 days. Insurance receivables of AED 4.59 million (2019: AED 4.28 million), which are impaired and not recoverable, are fully provided.

9 Other receivables

	2020 AED'000	2019 AED'000
Deferred commission cost	**15,206**	21,049
Prepayments	**3,228**	2,358
Accrued interest	**731**	494
Rent receivable	**7,715**	5,791
Other receivables	**2,105**	1,705
	28,985	31,397
Expected credit losses	**(4,754)**	(2,206)
	24,231	29,191

The Company has recognised AED 4.75 million as a provision on doubtful rent receivables (2019: AED 2.21 million).

10 Related parties

Details of related parties' balances are as follows:

Amounts due from related parties

	2020 AED'000	2019 AED'000
Related parties due to common directorship		
Diamondlease LLC	**5,136**	4,235
Al Habtoor Theatre LLC	**12,294**	7,851
Dubai National Investment Co.	**2,116**	1,854
North Hotel LLC	**1,931**	990
Other Habtoor Group companies	**9,779**	8,540
	31,256	23,470

10 Related parties (continued)

Amounts due to related parties

	2020 AED'000	2019 AED'000
Related parties due to common ownership		
Al Habtoor Motors Co LLC	**4,292**	-
Other Habtoor Group companies	**-**	943
	4,292	943

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

Details of significant transactions with related parties are shown below:

	2020 AED'000	2019 AED'000
Premiums written	**70,514**	62,073
Claims paid	**120,310**	16,868
Commission paid	**2,114**	3,068
Agency / Non-Agency repairs	**16,614**	21,839
Key management personnel remuneration		
- Short term benefits	**2,710**	3,144
- Post-employment benefits	**215**	382
	2,925	3,526

11 Insurance contract liabilities

Assumptions and sensitivities

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

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

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

Claims development

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

	Accident year					
	2016 & prior AED'000	2017 AED'000	2018 AED'000	2019 AED'000	2020 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of accident year	1,245,936	165,459	193,467	249,170	316,560	
One year later	1,264,117	179,257	212,859	259,410	-	
Two years later	1,244,180	180,669	213,663	-	-	
Three years later	1,235,979	175,385	-	-	-	
Four years later	1,232,157	-	-	-	-	
Estimate of cumulative claims	1,232,157	175,385	213,663	259,410	316,560	2,197,175
Cumulative payments to date	1,212,833	165,860	199,044	234,604	280,612	2,092,953
Provision for outstanding claims as on 31 December 2020	19,324	9,525	14,619	24,806	35,948	104,222
IBNR and other reserves as on 31 December 2020	19,323	9,525	14,725	28,292	93,893	165,758
ULAE reserves as on 31 December 2020	435	176	282	589	1,447	2,929
Gross outstanding claims and technical provisions as on 31 December 2020	19,758	9,701	15,007	28,881	95,340	168,687
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2020	16,652	6,795	9,673	22,117	52,196	107,433
Net outstanding claims and technical provisions as on 31 December 2020	3,106	2,906	5,334	6,764	43,144	61,254
Provision for outstanding claims and technical provisions as on 31 December 2019	14,009	10,093	15,279	19,113	110,199	168,693
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2019	10,599	8,125	9,394	12,255	74,322	114,695

Notes to the financial statements (continued)
For the year ended 31 December 2020

11 Insurance contract liabilities (continued)

		2020			2019		
		Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned premium reserve	(a)	134,782	(90,029)	44,753	172,020	(115,109)	56,911
Insurance contract provisions	(b)	104,222	(76,081)	28,141	102,101	(75,972)	26,129
Provision for IBNR	(c)	61,536	(31,352)	30,184	63,868	(38,723)	25,145
Provision for ULAE	(d)	2,929	-	2,929	2,724	-	2,724
Unexpired risk reserves	(e)	254	-	254	1,244	-	1,244
		303,723	(197,462)	106,261	341,957	(229,804)	112,153

a) Unearned premium reserve

		2020			2019		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at 1 January	(i)	172,020	(115,109)	56,911	151,943	(99,647)	52,296
Provision made during the year		132,959	(88,646)	44,313	171,164	(114,410)	56,754
Provision released during the year		(170,197)	113,726	(56,471)	(151,087)	98,948	(52,139)
Net movement during the year	(ii)	(37,238)	25,080	(12,158)	20,077	(15,462)	4,615
Balance as at 31 December	(i + ii)	134,782	(90,029)	44,753	172,020	(115,109)	56,911

11 Insurance contract liabilities (continued)

b) Insurance contract provisions

		2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000	2019 Gross AED'000	2019 Reinsurance share AED'000	2019 Net AED'000
Balance as at 1 January	(i)	**102,101**	**(75,972)**	**26,129**	73,786	(52,134)	21,652
Provision made during the year		**318,529**	**(279,088)**	**39,441**	233,433	(194,575)	38,858
Settled during the year		**(316,408)**	**278,979**	**(37,429)**	(205,118)	170,737	(34,381)
Net movement during the year	(ii)	**2,121**	**(109)**	**2,012**	28,315	(23,838)	4,477
Balance as at 31 December	(i + ii)	**104,222**	**(76,081)**	**28,141**	102,101	(75,972)	26,129

c) Provision for IBNR

		2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000	2019 Gross AED'000	2019 Reinsurance share AED'000	2019 Net AED'000
Balance as at 1 January	(i)	**63,868**	**(38,723)**	**25,145**	64,655	(39,107)	25,548
Provision made during the year		**53,445**	**(31,352)**	**22,093**	60,101	(35,677)	24,424
Provision released during the year		**(55,777)**	**38,723**	**(17,054)**	(60,888)	36,061	(24,827)
Net movement during the year	(ii)	**(2,332)**	**7,371**	**5,039**	(787)	384	(403)
Balance as at 31 December	(i + ii)	**61,536**	**(31,352)**	**30,184**	63,868	(38,723)	25,145

11 Insurance contract liabilities (continued)

d) Provision for ULAE

		2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000	2019 Gross AED'000	2019 Reinsurance share AED'000	2019 Net AED'000
Balance as at 1 January	(i)	**2,724**	**-**	**2,724**	2,620	-	2,620
Provision made during the year		**2,929**	**-**	**2,929**	1,453	-	1,453
Provision released during the year		**(2,724)**	**-**	**(2,724)**	(1,349)	-	(1,349)
Net movement during the year	(ii)	**205**	**-**	**205**	104	-	104
Balance as at 31 December	(i + ii)	**2,929**	**-**	**2,929**	2,724	-	2,724

e) Unexpired Risk Reserves

		2020 Gross AED'000	2020 Reinsurance share AED'000	2020 Net AED'000	2019 Gross AED'000	2019 Reinsurance share AED'000	2019 Net AED'000
Balance as at 1 January	(i)	**1,244**	**-**	**1,244**	-	-	-
Provision made during the year	(ii)	**254**	**-**	**254**	1,244	-	1,244
Provisions reversed during the year		**(1,244)**	**-**	**(1,244)**	-	-	-
Net movement during the year	(ii)	**(990)**	**-**	**(990)**	1,244	-	1,244
Balance as at 31 December	(i + ii)	**254**	**-**	**254**	1,244	-	1,244

12 Cash and cash equivalents

	2020 AED'000	2019 AED'000
Cash in hand and at banks	**97,945**	113,931

Cash and bank includes short term deposits (3-12 months) with local banks carrying interest ranging from 0.09% to 2.95% (2019: 2.15% to 2.95%) per annum.

13 Share capital

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

	2020 No. of shares	2020 AED'000	2019 No. of shares	2019 AED'000
Balance at 31 December	**115,500,000**	**115,500**	115,500,000	115,500

14 Legal reserve

In accordance with the Company's Articles of Association and Article 239 of the Federal Law No. 2 of 2015, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (2019: Nil).

15 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly. During the year, there were no transfers from or to the general reserve (2019: Nil).

16 Reinsurance reserve

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

17 Employees' end of service benefits

	2020 AED'000	2019 AED'000
Balance at 1 January	**6,479**	5,497
Charge for the year	**844**	1,197
Payments during the year	**(231)**	(215)
Balance at 31 December	**7,092**	6,479

18 Insurance payables

	2020 AED'000	2019 AED'000
Trade creditors	**5,718**	8,777
Insurance companies	**9,668**	15,469
Re-insurance companies	**37,696**	79,849
Brokers payable	**6,384**	5,550
Premium reserve withheld	**5,682**	6,003
	65,148	115,648

19 Other payables

	2020 AED'000	2019 AED'000
Deferred commission income	**7,657**	10,177
Accrued expenses	**9,907**	7,970
Provision for staff benefits	**2,524**	3,051
Directors' remuneration *	**5,401**	5,809
Other payables	**18,300**	19,123
	43,789	46,130

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

20 Income from investments - net

	2020 AED'000	2019 AED'000
Dividend income on securities – net	**21,339**	19,916
Interest income – net	**1,338**	2,397
Income on sale of rights – net	**-**	4,455
	22,677	26,768

21 Income from investment property - net

	2020 AED'000	2019 AED'000
Gross rental income	**12,015**	12,799
Maintenance expenses	**(5,654)**	(4,522)
Depreciation (note 6)	**(1,849)**	(1,847)
	4,512	6,430

22 Other income

	2020 AED'000	2019 AED'000
Gain on disposal of property and equipment	-	30
	-	30

23 General and administrative expenses

	2020 AED'000	2019 AED'000
Personnel costs	**16,463**	19,742
Other operational expenses	**9,243**	10,834
	25,706	30,576

24 Earnings per share

	2020	2019
Net profit for the year (AED'000)	**55,073**	58,085
Weighted average number of shares outstanding (note 13)	**115,500,000**	115,500,000
Earnings per share (AED) - Basic and diluted	**0.48**	0.50

25 Segment reporting

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

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

	2020 AED'000			2019 AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**317,271**	**35,103**	**352,374**	381,043	39,907	420,950
Segment result	**53,590**	**27,189**	**80,779**	55,433	33,198	88,631
Unallocated:						
-Other income			**-**			30
-Admin expenses			**(25,706)**			(30,576)
Net profit for the year			**55,073**			58,085
Segment assets	**323,902**	**499,085**	**822,987**	380,017	576,652	956,669
Unallocated assets			**107,945**			123,931
Total assets			**930,932**			1,080,600
Segment liabilities	**419,073**	**4,971**	**424,044**	505,739	5,418	511,157
Unallocated liabilities			**-**			-
Total liabilities			**424,044**			511,157

Underwriting results are further classified as follows:

	AED'000		
	General business	**Life business**	**Total**
2020			
Gross premiums written	**314,270**	**3,001**	**317,271**
Gross underwriting income	**96,390**	**897**	**97,287**
Net claims incurred	**43,133**	**564**	**43,697**
Net underwriting income	**53,257**	**333**	**53,590**
2019			
Gross premiums written	377,923	3,120	381,043
Gross underwriting income	98,870	813	99,683
Net claims incurred	44,282	(32)	44,250
Net underwriting income	54,588	845	55,433

26 Proposed dividends

The Board has proposed cash dividend of 30% of paid up share capital, amounting to AED 34.650 million (AED 0.30 per share) for the year ended 31 December 2020.

During the previous year, the Board proposed a cash dividend of AED 40.425 (AED 0.35 per share) representing 35% of the paid up capital as at 31 December 2019. This was approved at the Annual General Meeting held in March 2020.

27 Commitments and contingencies

	2020	2019
	AED'000	AED'000
Financial guarantee	**310**	175
	=====	=====

Guarantees of AED 0.31 million (2019: AED 0.175 million) issued by banks are secured by way of deposits held.

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

28 Lease

Leases as a lessee

At the statement of financial position date, there were no major outstanding commitments under non-cancellable leases.

29 Capital commitments

At the statement of financial position date, the Company has commitments in software of AED 0.896 million (2019: 0.896 million).

30 Risk management objectives and policies for mitigating insurance risk

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

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

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

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

Underwriting strategy

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

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance arrangements.

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

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

Terms and conditions of insurance contracts

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

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 53.590 million for the year ended 31 December 2020 (2019: AED 55.433 million)

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

- The overall risk retention level of the Company in the year ended 31 December 2020 is 33% (2019: 33%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.
- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.

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

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

Risk based regulatory reporting

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

Statement of financial position of persons and funds accumulation operations

	2020	2019
ASSETS	**AED'000**	AED'000
Non-current assets		
Statutory deposits	**4,000**	4,000
Current assets		
Insurance receivables	**935**	1,784
Other receivables	**151**	129
Due from related parties	**263**	343
Reinsurance contract assets	**2,780**	2,014
Cash and cash equivalents	**1,135**	1,638
	5,264	5,908
TOTAL ASSETS	**9,264**	9,908
EQUITY AND LIABILITIES		
EQUITY		
Reinsurance reserve	**9**	-
Retained earnings	**3,641**	3,924
Net funds transferred from General Insurance	**104**	2,186
TOTAL EQUITY	**3,754**	6,110
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	**69**	54
Current liabilities		
Insurance contract liabilities	**3,845**	2,814
Insurance payables	**1,596**	928
Other payables	**-**	1
Due to related parties	**-**	1
	5,441	3,744
TOTAL LIABILITIES	**5,510**	3,798
TOTAL EQUITY AND LIABILITIES	**9,264**	9,908

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

Risk based regulatory reporting (continued)

statement of profit or loss of persons and funds accumulation operations

	2020 AED'000	2019 AED'000
Gross premiums	**3,001**	3,120
Reinsurance share of premiums	**(1,736)**	(1,974)
Net premiums	**1,265**	1,146
Net transfer to unearned premium reserve	**8**	(47)
Net premiums earned	**1,273**	1,099
Commission earned	**11**	44
Commission paid	**(387)**	(330)
Gross underwriting income	**897**	813
Gross claims paid	**1,487**	1,380
Reinsurance share	**(1,216)**	(1,131)
Net claims paid	**271**	249
Provision for outstanding claims and technical provisions	**1,224**	(1,420)
Reinsurance share of outstanding claims and technical provisions	**(931)**	1,139
Net claims incurred	**564**	(32)
Net underwriting income	**333**	845
Gross income	**333**	845
General and administrative expenses	**(607)**	(661)
Net profit for the year	**(274)**	184

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

Risk based regulatory reporting (continued)

Statement of financial position of property and liability insurance

	2020	2019
ASSETS	AED'000	AED'000
Non-current assets		
Statutory deposits	6,000	6,000
Property and equipment	582	564
Investment property	72,203	74,052
	78,785	80,616
Current assets		
Financial assets at fair value through other comprehensive income	426,882	502,600
Insurance receivables	69,436	95,204
Other receivables	24,080	29,062
Due from related parties	30,993	23,127
Reinsurance contract assets	194,682	227,790
Cash and cash equivalents	96,810	112,293
	842,883	990,076
TOTAL ASSETS	921,668	1,070,692
EQUITY AND LIABILITIES		
EQUITY		
Share capital	115,500	115,500
Legal reserve	57,750	57,750
General reserve	180,000	180,000
Reinsurance reserve	1,050	-
Fair value reserve on financial assets at fair value through other comprehensive income	77,917	157,857
Net funds transferred to Life Insurance	(104)	(2,186)
Retained earnings	71,021	54,412
TOTAL EQUITY	503,134	563,333
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	7,023	6,425
Current liabilities		
Insurance contract liabilities	299,878	339,143
Insurance payables	63,552	114,720
Other payables	43,789	46,129
Due to related parties	4,292	942
	411,511	500,934
TOTAL LIABILITIES	418,534	507,359
TOTAL EQUITY AND LIABILITIES	921,668	1,070,692

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

Risk based regulatory reporting (continued)

statement of profit or loss of property and liability insurance

	2020 AED'000	2019 AED'000
Gross premiums	**314,270**	377,923
Reinsurance share of premiums	**(209,976)**	(254,219)
Net premiums	**104,294**	123,704
Net transfer to unearned premium reserve	**12,150**	(4,568)
Net premiums earned	**116,444**	119,136
Commission earned	**18,034**	21,355
Commission paid	**(41,077)**	(43,618)
Others	**2,989**	1,997
Gross underwriting income	**96,390**	98,870
Gross claims paid	**314,921**	232,053
Reinsurance share	**(277,763)**	(193,444)
Net claims paid	**37,158**	38,609
Provision for outstanding claims and technical provisions	**(2,218)**	30,265
Reinsurance share of outstanding claims and technical provisions	**8,193**	(24,592)
Net claims incurred	**43,133**	44,282
Net underwriting income	**53,257**	54,588
Income from investments – net	**22,677**	26,768
Income from investment property – net	**4,512**	6,430
Other income	**-**	30
Gross income	**80,446**	87,816
General and administrative expenses	**(25,099)**	(29,915)
Net profit for the year	**55,347**	57,901

31 Financial risk management objectives and policies

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

Category-wise assets and liabilities

Year - 2020

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

Year – 2019

	Financial instruments			
Assets	**At amortised cost AED'000**	**FVTOCI AED'000**	**Insurance contracts AED'000**	**Total AED'000**
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	229,804	229,804
Cash and cash equivalents	113,931	-	-	113,931
Financial assets at FVTOCI	-	502,600	-	502,600
Insurance receivables	-	-	96,988	96,988
Other receivables	5,784	-	-	5,784
Due from related parties	23,470	-	-	23,470
	153,185	502,600	326,792	982,577

31 Financial risk management objectives and policies (continued)

Category-wise assets and liabilities (continued)

Year - 2020

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

Year – 2019

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	341,957	341,957
Insurance and other payables	35,953	115,648	151,601
Due to related parties	943	-	943
	39,896	457,605	494,501

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

Credit risk

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

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

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

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

31 Financial risk management objectives and policies (continued)

Credit risk (continued)

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

	Neither past due nor impaired	Past due				Past due and impaired	Total
		<120 days	120 -180 days	>180 days	Total		
	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000	AED'000
31 December 2020	45,178	8,169	6,889	14,720	74,956	(4,585)	70,371
31 December 2019	67,120	8,609	11,211	14,327	101,267	(4,279)	96,988

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

Liquidity risk

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

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

Year -2020

	Less than 30 days AED'000	**30-90 days AED'000**	**90-180 days AED'000**	**After 180 days AED'000**	**Total AED'000**
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets at FVTOCI	-	-	-	426,882	426,882
Insurance receivables	17,593	24,629	17,593	10,556	70,371
Other receivables	289	3,905	1,037	566	5,797
Due from related parties	6,251	9,377	14,065	1,563	31,256
Cash in hand and at banks including deposits:					
- Interest bearing	-	40,106	20,626	15,151	75,883
- Non-interest bearing	22,062	-	-	-	22,062
Reinsurance contract assets (a)	-	-	-	-	197,462
	46,195	78,017	53,321	464,718	839,713

31 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Liabilities					
Insurance and other payables	15,192	35,448	30,384	20,256	101,280
Due to related parties	819	2,458	683	332	4,292
Insurance contract liabilities (a)	-	-	-	-	303,723
	16,011	37,906	31,067	20,588	409,295

Year -2019

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets	-	-	-	502,600	502,600
Insurance receivables	24,247	33,945	24,247	14,549	96,988
Other receivables	288	3,896	1,035	565	5,784
Due from related parties	4,694	7,041	10,561	1,174	23,470
Cash in hand and at banks including deposits:					
- Interest bearing	11,392	62,655	22,783	17,089	113,919
- Non-interest bearing	12	-	-	-	12
Reinsurance contract assets (a)	-	-	-	-	229,804
	40,633	107,537	58,626	545,977	982,577
Liabilities					
Insurance and other payables	22,740	53,060	45,480	30,321	151,601
Due to related parties	180	540	150	73	943
Insurance contract liabilities (a)	-	-	-	-	341,957
	22,920	53,600	45,630	30,394	494,501

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

31 Financial risk management objectives and policies (continued)

Interest rate risk

The interest risk is the risk that the value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing deposits in commercial banks having effective interest rate 0.09% to 2.95% (2019: 2.15% to 2.95%) per annum. The interest rate is floating in nature. However, the Company does not foresee any material impacts due to interest rate fluctuations in the foreseeable future as the total amount of interest income was not material and there were no significant movements noted during the year in the interest rates.

Exchange risk

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

Market risk

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

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

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

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

Sensitivity of equity prices

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

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

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

- net profit for the year ended 31 December 2020 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income (FVTOCI);
- fair value reserve on financial assets of FVTOCI within equity would have increased/decreased by AED 42.69 million (2019: increase/decrease by AED AED 50.26 million).

Debt securities

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

32 Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100,000,000 (2019: AED 100,000,000).

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

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

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

There were no changes made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019.

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

	2020	2019
	AED'000	AED'000
Cash and cash equivalents	**97,945**	113,931
Total equity held	**506,888**	569,443
	=======	=======
Minimum regulatory capital	**100,000**	100,000
	=======	=======

33 Comparatives

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

34 Post-reporting date events

Except for the proposed cash dividend of 30% of paid up capital for the year ended 31 December 2020 (note 26), there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.