ALLIANCE INSURANCE P.S.C.
Dubai, United Arab Emirates

Independent auditor's report and financial statements
for the year ended 31 December 2020

ALLIANCE INSURANCE P.S.C.

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Board of Directors Report
For the Year Ended December 31, 2020

Dear Shareholders,

On behalf of the Board of Directors and myself, it gives me great pleasure to welcome you to the Annual General Meeting to present the financial report for the year 2020, along with the financial statements, as well as the Auditor's report for the year ended, 31, December 2020.

During the year 2020, the global economies continued to witness challenging times, and no doubt most recent effects of a worldwide pandemic (COVID-19) only further exasperated the conditions of financial markets. The world had to quickly adjust to the lockdown caused by the pandemic, a new norm that forced companies to conduct business remotely. The UAE leadership took quick steps to safeguard public health by enforcing strong measures, mitigating the risks on local economies, and the threat to public safety. No doubt that we will continue to face challenges for some time as the world learns to adjust. However, with an aggressive approach to combat the pandemic by the United Arab Emirates, vaccination reached a staggering 40% to date. The UAE is leading the world in vaccination its population, and moving forward, we believe conditions will improve with a strong drive to return to normalcy soon.

Despite the challenges of an overcrowded industry, fierce competition, and the challenges of low-interest rates on investments, Alliance continued to show strong results and consistent profitability for the last ten years. Alliance also maintained its (A- Excellent) rating by A.M. Best for fourteen consecutive years. These results are credited to robust strategies with careful analysis of market conditions. The strategy set by Board Members, senior management, and employees is the main reason behind this continued profitable position.

The following is the overall performance summary of the company for the year 2020 compared with the year 2019:

Please note all figures are in AED

	2020	**2019**
Cash and cash equivalents/deposits/statutory deposits	557,163,263	655,342,473
Investments at amortised cost	335,622,610	236,550,473
Total Assets	1,446,261,734	1,370,118,561
Total equity	526,898,606	515,371,527
Gross premiums	323,267,756	284,546,690
Gross claims paid	41,116,877	69,343,644
Profit for the year	42,140,206	49,249,467

Alliance Insurance (Public Shareholding Company) P.O. Box 5501, Dubai, U.A.E.
Tel : (971 4) 6051111, Fax : (971 4) 6051112, 6051113
Website: www.alliance-uae.com, Email: alliance@alliance-uae.com
Subject to Federal Law No. (6) of 2007 on Insurance Companies Registration No. 18/1984

اللاينس للتأمين (شركة مساهمة عامة) ص.ب ٥٥٠١، دبي، الإمارات العربية المتحدة
هاتف: ٦٠٥١١١١ (٤ ٩٧١)، فاكس: ٦٠٥١١١٢/٣ (٤ ٩٧١)
خاضعة لأحكام قانون التأمين الاتحادي رقم (٦) لسنة ٢٠٠٧ م ومسجلة في سجل شركات التأمين تحت رقم ١٨/١٩٨٤

The net profit for the year 2020 after technical reserves and doubtful debts stands at AED 42,140,206/- compared to AED 49,249,467/- in 2019.

In light of the results for the financial year ended 31 December 2020, the Board of Directors presents for your consideration the following recommendations:

1. Approval of the Directors' report and the Auditor's report for the year 2020.

2. Approval of the financial statements for the year ended 31 December 2020.

3. Approve the recommendation of the Board for the distribution of profits for the year 2020 and the retained earnings of the year 2019 amounting AED 50,554,356 as follows:

   a. AED 4,214,021 to be transferred to the Statutory Reserve as 10% of the net profit for the year 2020.
   b. AED 4,214,021 to be transferred to the Regular Reserve as 10% of the net profit for the year 2020.
   c. AED 869,651 to be transferred to the Reinsurance Reserve as 0.5% of the total reinsurance premiums ceded for the year 2020.
   d. AED 30,000,000 (30% of paid-up capital) as cash dividend to shareholders.
   e. AED 1,148,490 Director's Remuneration.
   f. AED 10,108,173 Retained Earnings carried forward to the fiscal year 2021.

4. To discharge the Chairman, Board of Directors and Auditors from their responsibility for the year ended 31 December 2020.

5. To appoint / reappoint Auditors for the year 2021 and determine their fees.

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

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

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

Chairman of the Board
9 March 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Alliance Insurance P.S.C. (the "Company"), Dubai, United Arab Emirates** 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 financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs').

Basis for opinion

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

Key audit matters

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

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

Key audit matters (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter

Valuation of insurance contract liabilities and reinsurance contract assets
 	
As at 31 December 2020, insurance contract liabilities and reinsurance contract assets amounted to AED 742.8 million and AED 192.7 million respectively, as detailed in note 10 to these financial statements.
 	
The valuation of these liabilities requires significant judgements to be applied and estimates to be made. Reinsurance contract assets includes amounts that the Company is entitled to receive in accordance with the reinsurance contracts and, more specifically, the share of the reinsurer in the insurance contract liabilities of the Company.
 	
This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves along with their reinsurance recoveries. A range of models are applied by management, the internal actuary and independent external actuary to determine these provisions. Underlying these models are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.
 	
As a result of all the above factors, we consider the valuation of insurance contract liabilities and reinsurance contract assets as key audit matter.
	Our audit procedures included:
	
	• Assessing the design and implementation of key controls related to the integrity of the data used in the actuarial reserving process;
	• Evaluating and testing the claims handling and case reserve setting processes of the Company including allocation of the reinsurance portion of claims;
	• Evaluating and testing the data used in the actuarial reserving process;
	• Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, reinsurance contracts etc.;
	• Reperforming reconciliations between the claims data recorded in the Company's systems and the data used in the actuarial reserving calculations;
	• Evaluating the objectivity, skills, qualifications and competence of the independent external actuary;
	• Reviewing the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes; and
	• Agreeing samples of unearned premiums to appropriate documentation.
	
	In addition, with the assistance of our internal actuarial specialists, we:
	
	• performed necessary reviews to ascertain whether the results are appropriate for valuation of insurance contract liabilities and reinsurance contract assets;
	• reviewed the actuarial report compiled by the independent external actuary of the Company and calculations underlying these provisions, particularly the following areas:
	    • Appropriateness of the calculation methods and the model used (actuarial best practice)
	    • Review of key assumptions
	    • Consistency of assumptions used between valuation periods
	    • General application of financial and mathematical rules.
	
	We assessed the disclosures in the financial statements about insurance contract liabilities and reinsurance contract assets to determine if they were in compliance with IFRSs.

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

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
Investment properties represented 13.9% of total assets as at 31 December 2020. Management appointed independent external valuers to determine the fair valuation of investment properties. The valuation of investment properties, as detailed in Note 7, requires significant judgement to be applied and estimates to be made by both management and the independent external valuers. Consequently, we considered this to be a key audit matter.	Our audit procedures included: • We obtained an understanding of the process of determining the fair value of the investment properties; • We assessed the controls over the determination of the fair value of investment property to determine if they had been appropriately designed and implemented; • We assessed the competence, skills, qualifications and objectivity of the independent external valuers; • We reviewed the scope of the engagement between the external valuer and the Company to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts on a sample basis to evaluate the methodology used and the appropriateness of key assumptions used in the investment property valuations; • We reperformed the mathematical accuracy of the valuations on a sample basis; • We agreed the results of the valuations to the amounts recorded in the financial statements; and • We assessed the adequacy of disclosures included in financial statements against the requirements of IFRSs.

Other Information

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

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

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

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

Other Information (continued)

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Deloitte.

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

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

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

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

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

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

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

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that for the year ended 31 December 2020:

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

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

iii) the Company has maintained proper books of account;

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

v) as disclosed in Note 8 to the financial statements, the Company has investment in securities as at 31 December 2020;

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

Report on other Legal and Regulatory Requirements (continued)

vi) Note 26 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted;

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

viii) Note 24 to the financial statements discloses the social contributions made during the financial year ended 31 December 2020.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
9 March 2021
Sharjah, United Arab Emirates

Statement of financial position
At 31 December 2020

	Notes	2020 AED	2019 AED
ASSETS			
Property and equipment	**6**	**4,261,569**	5,091,410
Investment properties	**7**	**200,440,000**	205,786,000
Investments at amortised cost	**8.1**	**335,622,610**	236,550,473
Investments at fair value through other comprehensive income (FVOCI)	**8.2**	**5,175,180**	4,639,817
Loans guaranteed by life insurance policies	**9**	**48,458,780**	49,125,889
Reinsurance contract assets	**10**	**192,691,454**	133,963,373
Deferred acquisition costs		**5,937,160**	3,050,501
Premium and insurance balances receivable	**11**	**74,924,855**	59,674,956
Other receivables and prepayments	**12**	**21,586,863**	16,893,669
Statutory deposits	**13**	**10,000,000**	10,000,000
Deposits	**14**	**498,471,334**	567,540,653
Cash and cash equivalents	**15**	**48,691,929**	77,801,820
Total assets		**1,446,261,734**	1,370,118,561
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**16**	**100,000,000**	100,000,000
Statutory reserve	**17.1**	**89,549,184**	85,335,163
Regular reserve	**17.2**	**79,959,984**	75,745,963
General reserve	**17.3**	**222,000,000**	217,000,000
Reinsurance reserve	**17.4**	**869,651**	-
Cumulative change in fair value of FVOCI investments		**(5,588,386)**	(6,123,749)
Retained earnings		**40,108,173**	43,414,150
Total equity		**526,898,606**	515,371,527
Liabilities			
Provision for employees' end of service indemnity	**18**	**4,984,443**	5,242,910
Accounts payable	**19**	**83,226,463**	60,353,103
		88,210,906	65,596,013
Insurance liabilities			
Insurance liabilities	**20**	**74,436,991**	63,661,777
Premium collected in advance		**9,198,901**	9,991,587
Deferred commission income		**4,707,241**	3,156,043
		88,343,133	76,809,407

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

ALLIANCE INSURANCE P.S.C.

Statement of financial position (continued)
At 31 December 2020

	Notes	2020 AED	2019 AED
Insurance contract liabilities – Technical provisions	**10**		
Unearned premium reserve		**94,398,298**	73,548,723
Claims under settlement reserve		**119,758,932**	76,169,686
Incurred but not reported reserve		**17,622,329**	11,803,221
Unallocated loss adjustment expense reserve		**581,186**	505,209
Unexpired risk reserve		**890,986**	84,467
Mathematical reserve		**509,557,358**	550,230,308
Total insurance contract liabilities		**742,809,089**	712,341,614
Total liabilities		**919,363,128**	854,747,034
Total equity and liabilities		**1,446,261,734**	1,370,118,561

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

Sheikh Ahmed Bin Saeed Al Maktoum
Chairman

Saeed Mohammed Alkanda
Vice- Chairman

Aimen Saba Azara
Board Member and General Manager

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

	Notes	2020 AED	2019 AED
Gross premium	**27**	**323,267,756**	284,546,690
Reinsurance share of gross premiums	**27**	**(173,930,148)**	(139,495,157)
Net premium		**149,337,608**	145,051,533
Net change in unearned premium/unexpired risk reserves		**(11,183,621)**	2,316,688
Net premium earned		**138,153,987**	147,368,221
Commissions received		**15,856,373**	11,459,239
Commissions paid		**(18,503,114)**	(15,331,737)
Movement in deferred acquisition costs/ commission income – net		**1,335,461**	(185,296)
Gross underwriting income		**136,842,707**	143,310,427
Gross claims paid	**28**	**(41,116,877)**	(69,343,644)
Reinsurance share of insurance claims and loss adjustment expenses	**28**	**19,517,804**	42,699,092
Net claims paid		**(21,599,073)**	(26,644,552)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve		**(1,228,723)**	931,908
Earnings and cancellations of life insurance policies		**(95,855,848)**	(82,528,623)
Decrease in mathematical reserves	**10.2**	**40,672,950**	10,860,513
Net claims incurred		**(78,010,694)**	(97,380,754)
Net underwriting income		**58,832,013**	45,929,673
Income from financial investments	**21**	**39,853,903**	41,326,915
Income from investments properties - net	**22**	**6,390,828**	18,123,685
Foreign currency exchange gain		**398,442**	328,533
Other income	**23**	**1,581,655**	2,013,471
Total income		**107,056,841**	107,722,277
General and administrative expenses	**24**	**(28,881,262)**	(28,005,806)
Provision for expected credit loss		**(1,432,333)**	(1,203,394)
Bonuses and rebates (net of reinsurance)		**(32,233,421)**	(26,383,347)
Other operating expenses		**(2,369,619)**	(2,880,263)
Profit for the year		**42,140,206**	49,249,467
Basic and diluted earnings per share	**25**	**42.14**	49.25

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

Statement of comprehensive income
For the year ended 31 December 2020

	2020 AED	2019 AED
Profit for the year	**42,140,206**	49,249,467
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised gain from investments at FVOCI	**535,363**	142,764
Total other comprehensive income for the year	**535,363**	142,764
Total comprehensive income for the year	**42,675,569**	49,392,231

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

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

	Share capital AED	Statutory reserve AED	Regular reserve AED	General reserve AED	Reinsurance reserve AED	Cumulative change in fair value of FVOCI investments AED	Retained earnings AED	Total AED
Balance at 31 December 2018	100,000,000	80,410,216	70,821,016	210,000,000	-	(6,266,513)	42,390,560	497,355,279
Total comprehensive income for the year	-	-	-	-	-	142,764	49,249,467	49,392,231
Transfer to general reserve	-	-	-	7,000,000	-	-	(7,000,000)	-
Transfer to regular reserve	-	-	4,924,947	-	-	-	(4,924,947)	-
Transfer to statutory reserve	-	4,924,947	-	-	-	-	(4,924,947)	-
Directors' remuneration	-	-	-	-	-	-	(1,375,983)	(1,375,983)
Dividends paid (Note 33)	-	-	-	-	-	-	(30,000,000)	(30,000,000)
Balance at 31 December 2019	100,000,000	85,335,163	75,745,963	217,000,000	-	(6,123,749)	43,414,150	515,371,527
Total comprehensive income for the year	-	-	-	-	-	535,363	42,140,206	42,675,569
Transfer to general reserve	-	-	-	5,000,000	-	-	(5,000,000)	-
Transfer to regular reserve	-	-	4,214,021	-	-	-	(4,214,021)	-
Transfer to statutory reserve	-	4,214,021	-	-	-	-	(4,214,021)	-
Transfer to reinsurance reserve	-	-	-	-	869,651	-	(869,651)	-
Directors' remuneration	-	-	-	-	-	-	(1,148,490)	(1,148,490)
Dividends paid (Note 33)	-	-	-	-	-	-	(30,000,000)	(30,000,000)
Balance at 31 December 2020	**100,000,000**	**89,549,184**	**79,959,984**	**222,000,000**	**869,651**	**(5,588,386)**	**40,108,173**	**526,898,606**

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

Statement of cash flows
For the year ended 31 December 2020

	2020 AED	2019 AED
Cash flows from operating activities		
Profit for the year	**42,140,206**	49,249,467
Adjustments for:		
Depreciation of property and equipment	**946,145**	1,049,481
Change in fair value of investment properties	**5,346,000**	(4,536,000)
Income from investment properties - net	**(11,736,828)**	(13,587,685)
Provision for employees’ end of service indemnity	**472,489**	817,990
Amortisation of fees, premiums and discounts on investments	**1,805,745**	274,833
Dividend income	**(356,907)**	(356,907)
Interest income from loans guaranteed by life insurance policies	**(3,428,868)**	(3,496,466)
Interest income from investments at amortised cost	**(16,453,714)**	(12,249,285)
Interest income from deposits	**(19,614,414)**	(25,224,257)
Provision for expected credit losses	**1,432,333**	1,203,394
Operating cash flows before movements in working capital	**552,187**	(6,855,435)
Increase in insurance, other receivables and prepayments	**(15,607,406)**	(7,534,107)
Increase in reinsurance contract assets	**(58,728,081)**	(6,067,239)
Increase/(decrease) in technical provisions	**30,467,475**	(8,041,870)
Increase in accounts payable, insurance liabilities and premium collected in advance	**32,977,164**	23,986,148
Increase in deferred acquisition costs	**(2,886,659)**	(93,621)
Increase in deferred commission income	**1,551,198**	278,917
Cash used in operations	**(11,674,122)**	(4,327,207)
Employees’ end of service indemnity paid	**(730,956)**	(529,261)
Net cash used in operating activities	**(12,405,078)**	(4,856,468)

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

Statement of cash flows
For the year ended 31 December 2020 (continued)

	2020 AED	2019 AED
Cash flows from investing activities		
Deposits encashed during the year	**60,131,351**	91,936,638
Income received on deposits	**28,253,951**	29,755,909
Income received from investment properties	**8,721,412**	12,700,043
Income received from investments at amortised cost	**12,933,121**	10,499,726
Dividend income received	**356,907**	356,907
Net decrease in loans guaranteed by life insurance policies	**4,095,977**	318,004
Purchase of property and equipment	**(116,304)**	(430,036)
Purchases of financial investments at amortised cost	**(101,081,228)**	(58,741,495)
Net cash generated from investing activities	**13,295,187**	86,395,696
Cash flows from financing activities		
Dividend paid	**(30,000,000)**	(30,000,000)
Net cash used in financing activities	**(30,000,000)**	(30,000,000)
Net (decrease)/increase in cash and cash equivalents	**(29,109,891)**	51,539,228
Cash and cash equivalents at the beginning of the year	**77,801,820**	26,262,592
Cash and cash equivalents at the end of the year (Note 15)	**48,691,929**	77,801,820

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

Notes to the financial statements
For the year ended 31 December 2020

1. Segment information

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

1.1 Supplementary statement of financial position for insurance of persons and fund accumulation operations

	2020 AED	2019 AED
ASSETS		
Property and equipment	**2,400,080**	3,024,440
Investment properties	**123,595,000**	123,338,174
Investments at amortised cost	**245,775,581**	171,617,613
Loans guaranteed by life insurance policies	**48,458,780**	49,125,889
Reinsurance contract assets	**2,492,524**	2,670,429
Deferred acquisition costs	**198,033**	76,826
Premium and insurance balances receivable	**477,780**	129,906
Other receivables and prepayments	**10,892,996**	6,644,486
Statutory deposits	**2,000,000**	2,000,000
Deposits	**260,331,785**	314,114,081
Cash and cash equivalents	**14,690,701**	49,333,795
Inter-division balance	**122,794,303**	132,284,229
Total assets	**834,107,563**	854,359,868
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**50,000,000**	50,000,000
Statutory reserve	**42,942,387**	40,679,006
Regular reserve	**38,147,787**	35,884,406
General reserve	**107,552,461**	104,794,961
Reinsurance reserve	**23,780**	-
Retained earnings	**18,998,514**	20,834,613
Total equity	**257,664,929**	252,192,986
Liabilities		
Provision for employees' end of service indemnity	**2,254,298**	2,541,683
Accounts payable	**12,743,566**	10,781,085
	14,997,864	13,322,768
Insurance liabilities		
Insurance liabilities	**37,283,112**	23,609,499
Premium collected in advance	**9,198,901**	9,991,587
Deferred commission income	**2,279**	4,239
	46,484,292	33,605,325

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

1. Segment information (continued)

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

	2020 **AED**	2019 AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	**1,625,502**	1,008,352
Claims under settlement reserve	**2,240,882**	3,211,513
Incurred but not reported reserve	**1,236,511**	761,922
Unallocated loss adjustment expense reserve	**23,161**	26,694
Unexpired risk reserve	**277,064**	-
Mathematical reserve	**509,557,358**	550,230,308
Total insurance contract liabilities	**514,960,478**	555,238,789
Total liabilities	**576,442,634**	602,166,882
Total equity and liabilities	**834,107,563**	854,359,868

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

1. Segment information (continued)

1.2 Supplementary statement of profit or loss for insurance of persons and fund accumulation operations

	2020 AED	2019 AED
Gross premium	**104,808,317**	110,399,993
Reinsurance share of gross premium	**(4,755,922)**	(4,386,198)
Net premium	**100,052,395**	106,013,795
Net change in unearned premium/unexpired risk reserve	**(572,767)**	90,139
Net premium earned	**99,479,628**	106,103,934
Commissions received	**913,201**	1,206,966
Commissions paid	**(8,412,965)**	(9,635,698)
Movement in deferred acquisition costs/commission income - net	**123,167**	1,646
Gross underwriting income	**92,103,031**	97,676,848
Gross claims paid	**(3,502,113)**	(6,185,377)
Reinsurance share of insurance claims and loss adjustment expenses	**1,404,181**	3,044,913
Net claims paid	**(2,097,932)**	(3,140,464)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	**223**	318,661
Earnings and cancellations of life insurance policies	**(95,855,848)**	(82,528,623)
Decrease in mathematical reserves	**40,672,950**	10,860,513
Net claims incurred	**(57,280,607)**	(74,489,913)
Net underwriting income	**34,822,424**	23,186,935
Income from financial investments	**26,442,506**	27,536,923
Income from investments properties - net	**5,497,951**	12,838,558
Foreign currency exchange gain	**223,026**	254,901
Other income	**86,128**	174,042
Total income	**67,072,035**	63,991,359
General and administrative expenses	**(11,529,592)**	(11,459,711)
Provision for expected credit loss	**(319,761)**	(621,399)
Bonuses and rebates (net of reinsurance)	**(32,233,421)**	(26,383,347)
Other operating expenses	**(355,456)**	(399,250)
Profit for the year	**22,633,805**	25,127,652

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

1. Segment information (continued)

1.3 Supplementary statement of financial position for property and liability insurance

	2020 AED	2019 AED
ASSETS		
Property and equipment	**1,861,489**	2,066,970
Investment properties	**76,845,000**	82,447,826
Investments at amortised cost	**89,847,029**	64,932,860
Investments at fair value through other comprehensive income (FVOCI)	**5,175,180**	4,639,817
Reinsurance contract assets	**190,198,930**	131,292,944
Deferred acquisition costs	**5,739,127**	2,973,675
Premium and insurance balances receivable	**74,447,075**	59,545,050
Other receivables and prepayments	**10,693,867**	10,249,183
Statutory deposits	**8,000,000**	8,000,000
Deposits	**238,139,549**	253,426,572
Cash and cash equivalents	**34,001,228**	28,468,025
Total assets	**734,948,474**	648,042,922
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**50,000,000**	50,000,000
Statutory reserve	**46,606,797**	44,656,157
Regular reserve	**41,812,197**	39,861,557
General reserve	**114,447,539**	112,205,039
Reinsurance reserve	**845,871**	-
Cumulative change in fair value of FVOCI investments	**(5,588,386)**	(6,123,749)
Retained earnings	**21,109,659**	22,579,537
Total equity	**269,233,677**	263,178,541
Liabilities		
Provision for employees' end of service indemnity	**2,730,145**	2,701,227
Accounts payable	**70,482,897**	49,572,018
Inter-division balance	**122,794,303**	132,284,229
	196,007,345	184,557,474
Insurance liabilities		
Insurance liabilities	**37,153,879**	40,052,278
Deferred commission income	**4,704,962**	3,151,804
	41,858,841	43,204,082

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

1. Segment information (continued)

1.3 Supplementary statement of financial position for property and liability insurance (continued)

	2020 AED	2019 AED
Insurance contract liabilities – Technical provisions		
Unearned premium reserve	**92,772,796**	72,540,371
Claims under settlement reserve	**117,518,050**	72,958,173
Incurred but not reported reserve	**16,385,818**	11,041,299
Unallocated loss adjustment expense reserve	**558,025**	478,515
Unexpired risk reserve	**613,922**	84,467
Total insurance contract liabilities	**227,848,611**	157,102,825
Total liabilities	**465,714,797**	384,864,381
Total equity and liabilities	**734,948,474**	648,042,922

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

1. Segment information (continued)

1.4 Supplementary statement of profit or loss for property and liability insurance

	2020 AED	2019 AED
Gross premium	**218,459,439**	174,146,697
Reinsurance share of gross premium	**(169,174,226)**	(135,108,959)
Net premium	**49,285,213**	39,037,738
Net change in unearned premium/unexpired risk reserve	**(10,610,854)**	2,226,549
Net premium earned	**38,674,359**	41,264,287
Commissions received	**14,943,172**	10,252,273
Commissions paid	**(10,090,149)**	(5,696,039)
Movement in deferred acquisition cost and commission income - net	**1,212,294**	(186,942)
Gross underwriting income	**44,739,676**	45,633,579
Gross claims paid	**(37,614,764)**	(63,158,267)
Reinsurance share of insurance claims and loss adjustment expenses	**18,113,623**	39,654,179
Net claims paid	**(19,501,141)**	(23,504,088)
Movement in claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve	**(1,228,946)**	613,247
Net claims incurred	**(20,730,087)**	(22,890,841)
Net underwriting income	**24,009,589**	22,742,738
Income from financial investments	**13,411,397**	13,789,992
Income from investments properties - net	**892,877**	5,285,127
Foreign currency exchange gain	**175,416**	73,632
Other income	**1,495,527**	1,839,429
Total income	**39,984,806**	43,730,918
General and administrative expenses	**(17,351,670)**	(16,492,495)
Provision for expected credit loss	**(1,112,572)**	(635,595)
Other operating expenses	**(2,014,163)**	(2,481,013)
Profit for the year	**19,506,401**	24,121,815

2. General information

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

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

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

Federal Decree-Law No. 26 of 2020 which amends certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and the amendments came into effect on 2 January 2021. The Company is in the process of reviewing the new provisions and will apply the requirements thereof no later than one year from the date on which the amendments came into effect.

3. Application of new and revised International Financial Reporting Standards ("IFRSs")

3.1 New and revised IFRSs applied by the Company

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2020, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Definition of Material – Amendments to IAS 1 *'Presentation of Financial Statements'* and IAS 8 *'Accounting Policies, Changes in Accounting Estimates and Errors'.*
- Definition of a Business – Amendments to IFRS 3 *'Business Combinations'.*
- Amendments to *References to the Conceptual Framework in IFRS Standards*. These 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.
- Amendments relating to Interest Rate Benchmark Reform to IFRS 7 *'Financial Instruments: Disclosures'* and IFRS 9 *'Financial Instruments'.*
- Amendment to IFRS 16 *'Leases'* to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. The effective date is 1 June 2020.

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

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

- IFRS 17 '*Insurance Contracts*' implementation challenges and those relating to providing a more uniform measurement and presentation approach for all insurance contracts (effective for annual periods beginning after 1 January 2023).
- Amendments to IFRS 10 *'Consolidated Financial Statements'* and IAS 28 *'Investments in Associates and Joint Ventures'* (2011) relating to the treatment of the sale or contribution of assets from an investor and its associate or joint venture (effective date deferred indefinitely, early adoption permitted).
- IAS 1 *'Presentation of Financial Statements'* – Amendments on Classifications. Effective for annual period beginning on or after 1 January 2023, early adoption permitted.

3. Application of new and revised International Financial Reporting Standards ("IFRSs") (continued)

3.2 New and revised IFRS standards and interpretations but not yet effective (continued)

- Amendments relating to IAS 16, IAS 37, IFRS 3 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 (effective for annual periods beginning after 1 January 2022).
- IFRS 4 relating to amendments regarding the expiry date of the deferral approach. The fixed expiry date for the temporary exemption in IFRS 4 from applying IFRS 9 is now 1 January 2023.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to 'Interest Rate Benchmark Reform — Phase 2, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.
- Amendments to IFRS 9 that clarifies that for the purpose of performing the '10 per cent test' for derecognition of financial liabilities in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The amendments are effective for annual periods beginning on or after 1 January 2022, with earlier application permitted.

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

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

4. Summary of significant accounting policies

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

4.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Articles of Association of Company, United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015 and U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations.

4.2 Basis of preparation

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

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

4. Summary of significant accounting policies (continued)

4.2 Basis of preparation (continued)

those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

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

The principal accounting policies are set out below.

4.3 Insurance contracts

4.3.1 Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non-happening.

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

Contracts where insurance risk is not significant are classified as investment contracts. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

4.3.2 Recognition and measurement

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

These contracts are general insurance contracts and life assurance contracts.

4. Summary of significant accounting policies (continued)

4.3 Insurance contracts (continued)

4.3.2 Recognition and measurement (continued)

General insurance contracts

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

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

Life assurance contracts

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

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

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

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

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

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

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

Unearned premium reserve

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR is calculated using the 1/365 method except for marine cargo and general accident.

4. Summary of significant accounting policies (continued)

4.3 Insurance contracts (continued)

4.3.2 Recognition and measurement (continued)

Unearned premium reserve (continued)

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

Claims

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

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported (“IBNR”) at the date of statement of financial position based on actuarial estimate obtained from an independent actuary using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the regulations.

Unallocated loss adjustment expense reserve

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

Unexpired risk reserve/liability adequacy test

Provision is made for unexpired risk arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

Reinsurance

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

4. Summary of significant accounting policies (continued)

4.3 Insurance contracts (continued)

4.3.2 Recognition and measurement (continued)

Reinsurance (continued)

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment on a regular basis. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of profit or loss in the year in which they are incurred.

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

Deferred acquisition cost

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

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

Insurance receivables and payables

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

Mathematical reserve

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

4. Summary of significant accounting policies (continued)

4.3 Insurance contracts (continued)

4.3.2 Recognition and measurement (continued)

Unit linked liabilities

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

Insurance contract liabilities and reinsurance assets

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

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

Salvage and subrogation reimbursements

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

4.4 Revenue *(other than insurance revenue)*

Revenue (other than insurance revenue) comprises the following:

Fee and commission income

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

Dividend income

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

Interest income

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

4. Summary of significant accounting policies (continued)

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

Rental income

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

4.5 General and administrative expenses

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

4.6 Leasing

The Company as lessee

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

4.7 Foreign currencies

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

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

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

4.8 Employee benefits

Annual leave and leave passage

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

Provision for employees’ end of service indemnity

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

4. Summary of significant accounting policies (continued)

4.8 Employee benefits (continued)

Defined contribution plan

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

4.9 Property and equipment

Land is not depreciated and is stated at cost.

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

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

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

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

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

4.10 Investment properties

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

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

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

4. Summary of significant accounting policies (continued)

4.11 Impairment of tangible assets

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

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

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

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

4.12 Provisions

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

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

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

4.13 Financial instruments

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

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

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

4. Summary of significant accounting policies (continued)

4.13 Financial instruments (continued)

Financial assets measured at amortised cost

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

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

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

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

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

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

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

Insurance and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Equity instruments at FVOCI

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

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

4. Summary of significant accounting policies (continued)

4.13 Financial instruments (continued)

Debt instruments at amortised cost

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

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

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

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

Financial assets measured at fair value through profit or loss

Financial assets at FVTPL are:

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

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

Cash and cash equivalents

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

Classification as debt or equity

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

Equity instruments

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

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

4. Summary of significant accounting policies (continued)

4.13 Financial instruments (continued)

Financial liabilities

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

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

Provision for expected credit loss

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

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

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

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

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

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

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

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

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

4. Summary of significant accounting policies (continued)

4.13 Financial instruments (continued)

Provision for expected credit loss *(continued)*

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

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

Details of these statistical parameters/inputs are as follows:

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

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

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

Forward-looking information

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

Macroeconomic factors

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

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

Presentation of allowance for ECL in the statement of financial position

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

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

4. Summary of significant accounting policies (continued)

4.13 Financial instruments (continued)

4.14 De-recognition of financial instruments

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

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

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

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

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

4.15 Dividend distribution

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

4.16 Offsetting

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

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

5. Critical accounting judgements and key sources of estimation uncertainty

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

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

5.1 Critical accounting judgements

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

5.1.1 Classification of investments

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

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

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

5.1.2 Classification of properties

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

5.1.3 Business model assessment

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

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

5.1 Critical accounting judgements (continued)

5.1.4 Insurance contract classification

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

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

5.2 Key sources of estimation uncertainty

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

5.2.1 Individual life insurance

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

5.2.2 Provision for outstanding claims, incurred or not

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

The Company has performed an assessment of the impact of COVID-19 on its contractual arrangements and provisions for outstanding claims and claims incurred but not reported which included regular sensitivity analyses. The Company determined that there is no material impact on its risk position and provision balances for outstanding claims and claims incurred but not reported, as at 31 December 2020. The Company will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

5.2.3 Calculation of loss allowance

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

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

5.2 Key sources of estimation uncertainty (continued)

5.2.3 Calculation of loss allowance (continued)

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

5.2.4 Liability adequacy test

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

5.2.5 Valuation of investment properties

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

5.2.6 Depreciation of property and equipment

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

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

6. Property and equipment

	Land AED	Building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Capital work-in progress AED	Total AED
Cost							
At 31 December 2018	2,470,555	1,691,577	4,564,821	4,126,368	634,238	120,000	13,607,559
Additions during the year	-	-	33,405	336,631	-	60,000	430,036
At 31 December 2019	2,470,555	1,691,577	4,598,226	4,462,999	634,238	180,000	14,037,595
Additions during the year	-	-	11,500	74,784	-	30,020	116,304
Transfers	-	60,000	-	60,000	-	(120,000)	-
At 31 December 2020	**2,470,555**	**1,751,577**	**4,609,726**	**4,597,783**	**634,238**	**90,020**	**14,153,899**
Accumulated depreciation							
At 31 December 2018	-	511,614	4,192,015	2,833,457	359,618	-	7,896,704
Charge for the year	-	169,158	171,150	570,801	138,372	-	1,049,481
At 31 December 2019		680,772	4,363,165	3,404,258	497,990	-	8,946,185
Charge for the year	-	184,158	108,897	537,475	115,615	-	946,145
At 31 December 2020	**-**	**864,930**	**4,472,062**	**3,941,733**	**613,605**	**-**	**9,892,330**
Carrying amount							
At 31 December 2020	**2,470,555**	**886,647**	**137,664**	**656,050**	**20,633**	**90,020**	**4,261,569**
At 31 December 2019	2,470,555	1,010,805	235,061	1,058,741	136,248	180,000	5,091,410

At 31 December 2020, the cost of fully depreciated property and equipment that was still in use amounted to AED 6,970,805 (2019: AED 4,019,817).

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

7. Investment properties

	2020 AED	2019 AED
Balance, at the beginning of the year	**205,786,000**	201,250,000
Change in fair value	**(5,346,000)**	4,536,000
Balance, at the end of the year	**200,440,000**	205,786,000

7. **Investment properties** (continued)

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

The fair value of the Company's investment properties as at 31 December 2020 has been arrived at on the basis of valuations carried on the reporting date by independent valuers who are not related to the Company and have appropriate qualifications and recent market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the net income capitalisation method, where the market rentals of all lettable units of the properties are assessed by reference to the rental achieved in the lettable units. The capitalisation rate adopted is determined by reference to the yield rates observed by the valuers for similar properties in the locality and adjusted based on the valuers' knowledge of the factors specific to the respective property. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The Company's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2020 (2019: Level 3).

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

	2020 **AED**	2019 AED
Rental income (Note 22)	**16,628,576**	18,154,964
Maintenance expenses	**(4,891,748)**	(4,567,279)
Net rental income	**11,736,828**	13,587,685

8. **Financial investments**

8.1 **Investments at amortised cost**

	2020 **AED**	2019 AED
Quoted bonds	**336,394,610**	237,119,127
Provision for expected credit loss	**(772,000)**	(568,654)
	335,622,610	236,550,473

Movements in provision for ECL are as follows:

	2020 **AED**	2019 AED
Balance at the beginning of the year	**568,654**	-
Charge during the year	**203,346**	568,654
	772,000	568,654

8. Financial investments (continued)

8.1 Investments at amortised cost (continued)

The bonds carry interest at the rates of 4.75% to 7.50% (2019: 4.75% to 7.50%) per annum and interest is payable semi-annually/annually. The Company holds these investments with the objective of receiving the contractual cash flows over the instruments life. The fair value of quoted bonds as at 31 December 2020 amounted to AED 345,798,204 (2019: AED 246,630,695).

8.2 Investments carried at FVOCI

	2020 AED	2019 AED
Quoted equity securities in UAE	**5,175,180**	4,639,817

8.3 Movements in financial investments

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

	FVOCI AED	**At amortised cost AED**	**Total AED**
At 31 December 2018	4,497,053	178,652,465	183,149,518
Purchases	-	159,866,960	159,866,960
Matured	-	(101,125,465)	(101,125,465)
Amortised	-	(274,833)	(274,833)
Changes in fair value	142,764	-	142,764
Provision for expected credit loss	-	(568,654)	(568,654)
At 31 December 2019	4,639,817	236,550,473	241,190,290
Purchases	-	101,081,228	101,081,228
Amortised	-	(1,805,745)	(1,805,745)
Changes in fair value	535,363	-	535,363
Provision for expected credit loss	-	(203,346)	(203,346)
At 31 December 2020	**5,175,180**	**335,622,610**	**340,797,790**

9. Loans guaranteed by life insurance policies

	2020 AED	2019 AED
Balance at beginning of the year	**49,125,889**	45,947,427
Loans sanctioned during the year	**28,713,847**	30,386,082
Repayment during the year	**(26,590,030)**	(24,417,686)
Unrealized interest on loans	**(2,790,926)**	(2,789,934)
Balance at end of the year	**48,458,780**	49,125,889

The interest on loans guaranteed by life insurance policies is 8% (2019: 8%).

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

10. Technical provisions

	2020			2019		
	Insurance contract liabilities AED	**Reinsurance contract assets AED**	**Total AED**	Insurance contract liabilities AED	Reinsurance contract assets AED	Total AED
Insurance of persons and fund accumulation operations						
Unearned premium reserve	**1,625,502**	**(950,555)**	**674,947**	1,008,352	(629,108)	379,244
Claims under settlement reserve	**2,240,882**	**(644,682)**	**1,596,200**	3,211,513	(1,492,304)	1,719,209
Incurred but not reported reserve	**1,236,511**	**(897,287)**	**339,224**	761,922	(549,017)	212,905
Unallocated loss adjustment expense reserve	**23,161**	**-**	**23,161**	26,694	-	26,694
Unexpired risk reserve	**277,064**	**-**	**277,064**	-	-	-
Mathematical reserve (note 10.2)	**509,557,358**	**-**	**509,557,358**	550,230,308	-	550,230,308
	514,960,478	**(2,492,524)**	**512,467,954**	555,238,789	(2,670,429)	552,568,360
Property and liability insurance						
Unearned premium reserve	**92,772,796**	**(64,085,363)**	**28,687,433**	72,540,371	(53,920,644)	18,619,727
Claims under settlement reserve	**117,518,050**	**(113,304,283)**	**4,213,767**	72,958,173	(69,260,947)	3,697,226
Incurred but not reported reserve	**16,385,818**	**(12,744,258)**	**3,641,560**	11,041,299	(8,032,634)	3,008,665
Unallocated loss adjustment expense reserve	**558,025**	**-**	**558,025**	478,515	-	478,515
Unexpired risk reserve	**613,922**	**(65,026)**	**548,896**	84,467	(78,719)	5,748
	227,848,611	**(190,198,930)**	**37,649,681**	157,102,825	(131,292,944)	25,809,881
Total						
Unearned premium reserve	**94,398,298**	**(65,035,918)**	**29,362,380**	73,548,723	(54,549,752)	18,998,971
Claims under settlement reserve	**119,758,932**	**(113,948,965)**	**5,809,967**	76,169,686	(70,753,251)	5,416,435
Incurred but not reported reserve	**17,622,329**	**(13,641,545)**	**3,980,784**	11,803,221	(8,581,651)	3,221,570
Unallocated loss adjustment expense reserve	**581,186**	**-**	**581,186**	505,209	-	505,209
Unexpired risk reserve	**890,986**	**(65,026)**	**825,960**	84,467	(78,719)	5,748
Mathematical reserve (note 10.2)	**509,557,358**	**-**	**509,557,358**	550,230,308	-	550,230,308
	742,809,089	**(192,691,454)**	**550,117,635**	712,341,614	(133,963,373)	578,378,241

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

10. Technical provisions (continued)

10.1 Summary of actuary's report on technical provisions

	2020		2019	
	As per actuary AED	**As per financial statements AED**	As per actuary AED	As per financial statements AED
Gross reserves				
Unearned premium reserve	**94,398,298**	**94,398,298**	73,548,723	73,548,723
Claims under settlement reserve	**119,758,932**	**119,758,932**	76,169,686	76,169,686
Incurred but not reported reserve	**17,622,329**	**17,622,329**	11,803,221	11,803,221
Unallocated loss adjustment expense reserve	**581,186**	**581,186**	505,209	505,209
Unexpired risk reserve	**890,986**	**890,986**	84,467	84,467
Mathematical reserve	**509,557,358**	**509,557,358**	550,230,308	550,230,308
	742,809,089	**742,809,089**	712,341,614	712,341,614
Net reserves				
Unearned premium reserve	**29,362,380**	**29,362,380**	18,998,971	18,998,971
Claims under settlement reserve	**5,809,967**	**5,809,967**	5,416,435	5,416,435
Incurred but not reported reserve	**3,980,784**	**3,980,784**	3,221,570	3,221,570
Unallocated loss adjustment expense reserve	**581,186**	**581,186**	505,209	505,209
Unexpired risk reserve	**825,960**	**825,960**	5,748	5,748
Mathematical reserve	**509,557,358**	**509,557,358**	550,230,308	550,230,308
	550,117,635	**550,117,635**	578,378,241	578,378,241

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

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

10. Technical provisions (continued)

10.2 Mathematical reserve

	2020 AED	2019 AED
At January	**550,230,308**	561,090,821
(Shortage)/excess of income over expenditure for the year in the long-term business	**(17,533,111)**	14,060,068
Surplus available	**(23,139,839)**	(24,920,581)
	509,557,358	550,230,308
Movement in life assurance fund	**(40,672,950)**	(10,860,513)

Mathematical reserve represents amounts set aside to meet the aggregate amount of the liabilities of the Company in relation to its long-term life business as at 31 December 2020.

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

	2020 AED	2019 AED
Net liabilities under insurance policies	**394,093,203**	416,971,373
Provision for terminal bonus to policyholders	**115,464,155**	133,258,935
	509,557,358	550,230,308

11. Premium and insurance balances receivable

	2020 AED	2019 AED
Due from policyholders	**47,102,097**	50,681,891
Due from insurance or reinsurance companies	**3,961,037**	2,594,759
Due from brokers or agents	**27,134,174**	8,714,803
Less: Provision for expected credit losses	**(3,272,453)**	(2,316,497)
	74,924,855	59,674,956

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

11. Premium and insurance balances receivable (continued)

	2020	2019
	AED	AED
Inside UAE:		
Due from policy holders	**47,102,097**	50,681,891
Due from insurance or reinsurance companies	**1,843,751**	1,446,738
Due from brokers or agents	**27,134,174**	8,714,803
Less: Provision for expected credit losses	**(3,272,453)**	(2,316,497)
	72,807,569	58,526,935
Outside UAE:		
Due from insurance or reinsurance companies	**2,117,286**	1,148,021

Ageing of receivables is as follows:

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

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

11. Premium and insurance balances receivable (continued)

	Due from policyholders AED	Due from insurance or reinsurance companies AED	Due from brokers or agents AED
Inside UAE:			
Less than 30 days	6,839,855	60,663	2,650,566
31 – 90 days	15,111,137	32,174	4,409,407
91 – 180 days	13,167,691	63,746	1,082,226
181 – 270 days	6,830,513	218,756	211,868
271 – 360 days	1,557,729	264,938	180,091
More than 360 days	7,174,966	806,461	180,645
At 31 December 2019	50,681,891	1,446,738	8,714,803
Outside UAE:			
Less than 30 days	-	513,004	-
31 – 90 days	-	372,697	-
91 – 180 days	-	199,552	-
181 – 270 days	-	10,614	-
271 – 360 days	-	21,690	-
More than 360 days	-	30,464	-
At 31 December 2019	-	1,148,021	-

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

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

12. Other receivables and prepayments

	2020 AED	2019 AED
Receivable from employees	**358,499**	418,510
Refundable deposits	**161,870**	178,562
Prepayments	**1,638,449**	1,832,915
Others	**20,907,457**	15,582,763
Less: Provision for expected credit losses (note 12.1)	**(1,479,412)**	(1,119,081)
	21,586,863	16,893,669

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

12. Other receivables and prepayments (continued)

12.1 Movement in the provision for expected credit losses

Total provision for expected credit losses at year end amounts to AED 4,751,865 (2019: AED 3,435,578) and comprises that against premiums and insurance balances receivable amounting to AED 3,272,453 (2019: AED 2,316,497) and other receivables amounting to AED 1,479,412 (2019: AED 1,119,081).

The Company has adopted the simplified approach for its insurance and other receivables. The loss allowance is therefore based on lifetime ECLs.

In calculating the loss allowance, a provision matrix has been used on historical observed loss rates over the expected life of insurance and other receivables adjusted for forward-looking estimates.

	2020 AED	2019 AED
Balance at beginning of the year	**3,435,578**	3,266,754
Provision during the year	**1,383,952**	386,349
Amounts written off as uncollectible during the year	**(67,665)**	(217,525)
Balance at end of the year	**4,751,865**	3,435,578

13. Statutory deposits

A deposit of AED 10,000,000 (2019: AED 10,000,000) has been placed with one of the Company's bankers, in accordance with Article 42 of UAE Federal Law No. 6 of 2007 regarding Establishment of the Insurance Authority and Organization of its Operations. This deposit has been pledged to the bank as security against a guarantee issued by the Bank in favor of the Insurance Authority for the same amount. This deposit cannot be withdrawn without prior approval of tire Insurance Authority and bears an interest rate ranging from 3% to 3.5% per annum (2019: 3% to 3.5% per annum).

14. Deposits

	2020 AED	2019 AED
Short term deposits with banks in UAE	**432,877,150**	363,758,501
Accrued interest	**2,483,548**	4,692,286
Subtotal A (current portion)	**435,360,698**	368,450,787
Long term deposits with banks in UAE	**61,600,000**	190,850,000
Accrued interest	**2,274,983**	8,705,782
Subtotal B (non-current portion)	**63,874,983**	199,555,782
Provision for expected credit loss (C) (note 14.1)	**(764,347)**	(465,916)
Grand total (A+B+C)	**498,471,334**	567,540,653

Deposits comprise fixed deposits with banks bearing annual interest at rates ranging from 0.93% to 5.25% (31 December 2019: 3.25 % to 5.25 %).

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

14. Deposits (continued)

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

	2020 AED	2019 AED
Balance at beginning of the year	**465,916**	-
Provision during the year	**298,431**	465,916
Balance at end of the year	**764,347**	465,916

15. Cash and cash equivalents

	2020 AED	2019 AED
Cash on hand	**844,894**	900,196
Current accounts with banks	**47,869,667**	76,955,224
Provision for expected credit losses (note 15.1)	**(22,632)**	(53,600)
	48,691,929	77,801,820

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

	2020 AED	2019 AED
Balance at beginning of the year	**53,600**	-
(Reversal)/provision during the year	**(30,968)**	53,600
Balance at end of the year	**22,632**	53,600

16. Share capital

	2020 AED	2019 AED
Authorised, issued and fully paid 1,000,000 shares of AED 100 each (31 December 2019: 1,000,000 shares of AED 100 each)	**100,000,000**	100,000,000

17. Reserves

17.1 Statutory reserve

In accordance with the Company's Articles of Association and Federal Law No. (2) of 2015, a minimum of 10% of the Company's profit for the year should be transferred to a non-distributable statutory reserve. As per the Company's Articles of Association, such transfers are required until the balance on the statutory reserve equals 100% of the Company's paid-up share capital. Accordingly, AED 4,214,021 (2019: AED 4,924,947) was transferred to the statutory reserve on 31 December 2020.

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

17. Reserves (continued)

17.2 Regular reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's profit must be transferred to regular reserve. Such transfers are required until the balance on this reserve equals 100% of the Company's paid-up share capital, or until the transfer is discontinued by resolution of the shareholders. Accordingly, AED 4,214,021 (2019: AED 4,924,947) was transferred to the regular reserve on 31 December 2020.

17.3 General reserve

The Board of Directors approved the transfer of AED 5,000,000 in 2020 (2019: AED 7,000,000) to a general reserve which can be utilized for any purpose approved by the shareholders as per the Articles of Association of the Company.

17.4 Reinsurance reserve

In accordance with Article 34 of Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company allocated an amount equals to 0.5% of the total reinsurance premiums ceded to reinsurance reserve.

This reserve is accumulated year after year and may not be disposed off without the written approval of the Director General of the Insurance Authority.

18. Provision for employees' end of service indemnity

	2020 **AED**	2019 AED
Balance at the beginning of the year	**5,242,910**	4,954,181
Charge for the year	**472,489**	817,990
Paid during the year	**(730,956)**	(529,261)
Balance at the end of the year	**4,984,443**	5,242,910

19. Accounts payable

	2020 **AED**	2019 AED
Payables inside UAE	**11,922,715**	8,475,185
Payables outside UAE	**51,844,991**	33,462,495
Other payables (note 19.1)	**19,458,757**	18,415,423
	83,226,463	60,353,103

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

19. Accounts payable (continued)

	2020 AED	2019 AED
Inside UAE:		
Accounts payable to:		
Insurance companies	**3,846,438**	2,874,542
Insurance brokers	**8,076,277**	5,600,643
Other payables (note 19.1)	**19,458,757**	18,415,423
	31,381,472	26,890,608
Outside UAE:		
Accounts payable to:		
Insurance companies	**108,472**	219,680
Reinsurance companies	**51,736,519**	33,242,815
	51,844,991	33,462,495

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

19.1 Other payable

	2020 AED	2019 AED
Provision for staff benefits	**4,206,410**	4,541,788
Rent received in advance	**711,875**	833,151
Accruals and provisions	**856,021**	663,288
Other payables	**13,684,451**	12,377,196
	19,458,757	18,415,423

20. Insurance liabilities

	2020 AED	2019 AED
Maturity payable	**23,837,282**	15,501,098
Bonus and surrenders payable	**12,138,543**	7,337,720
Claims payable	**2,280,033**	1,248,999
Other insurance payables	**36,181,133**	39,573,960
	74,436,991	63,661,777

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

21. Income from financial investments

	2020 AED	2019 AED
Interest income from deposits	**19,614,414**	25,224,257
Interest income from investments at amortised cost	**16,453,714**	12,249,285
Interest income from loans guaranteed by life insurance policies	**3,428,868**	3,496,466
Dividend income from investments carried at FVOCI	**356,907**	356,907
	39,853,903	41,326,915

22. Income from investment properties - net

	2020 AED	2019 AED
Rental income	**16,628,576**	18,154,964
Change in fair value of investment properties (note 7)	**(5,346,000)**	4,536,000
Maintenance expenses	**(4,891,748)**	(4,567,279)
	6,390,828	18,123,685

23. Other income

	2020 AED	2019 AED
Other income and administration income	**1,581,655**	2,013,471

24. General and administrative expenses

	2020 AED	2019 AED
Staff costs	**20,252,625**	20,425,587
Rent	**1,602,661**	1,619,432
Bank charges	**1,379,054**	1,168,515
Communication expenses	**417,226**	492,240
Depreciation on property and equipment (note 6)	**946,145**	1,049,481
Travel and conveyance	**22,551**	38,270
Other expenses	**4,261,000**	3,212,281
	28,881,262	28,005,806

Other expenses include social contributions made during the year amounted to AED 1,000,000 (2019: AED 150,000).

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

25. Basic and diluted earnings per share

	2020	2019
Profit for the year (in AED)	**42,140,206**	49,249,467
Weighted average number of shares	**1,000,000**	1,000,000
Basic and diluted earnings per share (in AED)	**42.14**	49.25

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

26. Related party transactions

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

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

	2020 AED	2019 AED
Due from related parties	**1,253,171**	1,140,071

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

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

	2020 AED	2019 AED
Premiums	**4,758,533**	3,696,104
Claims	**763,142**	111,575

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

26.3 Compensation of key management personnel

	2020 AED	2019 AED
Directors' remuneration	**1,148,490**	1,375,983
Short term benefits	**1,950,000**	2,200,000
Total compensation paid to the key management personnel	**3,098,490**	3,375,983

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

27. Net premium earned

	2020 AED	2019 AED
Gross premium		
Insurance of persons and fund accumulation operations:		
Individual life	**101,311,751**	107,898,624
Group life	**3,496,566**	2,501,369
Total	**104,808,317**	110,399,993
Property and liability insurance:		
Medical	**28,798,140**	34,333,477
Fire	**12,701,156**	12,835,212
Motor	**35,871,577**	24,719,110
Marine	**5,028,457**	522,968
Miscellaneous	**136,060,109**	101,735,930
Total	**218,459,439**	174,146,697
Total gross premium (a)	**323,267,756**	284,546,690
Reinsurance share of gross premium		
Insurance of persons and fund accumulation operations:		
Individual life	**2,733,765**	2,819,723
Group life	**2,022,157**	1,566,475
Total	**4,755,922**	4,386,198
Property and liability insurance:		
Medical	**15,670,519**	20,007,045
Fire	**12,104,270**	12,408,540
Motor	**1,659,193**	2,482,913
Marine	**5,035,578**	480,884
Miscellaneous	**134,704,666**	99,729,577
	169,174,226	135,108,959
Total reinsurance share of gross premium (b)	**173,930,148**	139,495,157
Change in unearned premium/unexpired risk reserves (c)	**(11,183,621)**	2,316,688
Total net premiums (a-b+c)	**138,153,987**	147,368,221

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

28. Net claims paid

	2020 AED	2019 AED
Gross claims paid		
Insurance of persons and fund accumulation operations:		
Individual life	**2,294,244**	5,038,148
Group life	**1,207,869**	1,147,229
Total	**3,502,113**	6,185,377
Property and liability insurance:		
Medical	**17,403,079**	39,748,685
Fire	**2,364,717**	1,110,047
Motor	**14,782,623**	13,002,988
Marine	**663,579**	3,013,277
Miscellaneous	**2,400,766**	6,283,270
Total	**37,614,764**	63,158,267
Total gross claims paid (a)	**41,116,877**	69,343,644
Reinsurance share of insurance claims and loss adjustment expenses		
Insurance of persons and fund accumulation operations:		
Individual life	**460,860**	2,305,350
Group life	**943,321**	739,563
Total	**1,404,181**	3,044,913
Property and liability insurance:		
Medical	**12,204,573**	27,860,530
Fire	**2,133,279**	842,042
Motor	**1,186,988**	2,200,658
Marine	**638,246**	3,024,267
Miscellaneous	**1,950,537**	5,726,682
	18,113,623	39,654,179
Total reinsurance shares of insurance claims and loss adjustment expenses (b)	**19,517,804**	42,699,092
Total net claims (a-b)	**21,599,073**	26,644,552

29. Contingent liabilities

	2020 AED	2019 AED
Letters of guarantee	**10,853,330**	11,073,025

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

30. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Company faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The Company has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

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

30.1 Frequency and severity of claims

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

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

30. Insurance risk (continued)

30.1 Frequency and severity of claims (continued)

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 250,000 for motor and AED 12,000 for medical class of business in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once a year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

30.2 Sources of uncertainty in the estimation of future claim payments

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

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

The amount of insurance claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. Insurance contracts are also subject to the emergence of new types of latent claims, but no allowance is included for this at the reporting date.

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

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

30. Insurance risk (continued)

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

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

	2020		2019	
Type of risk	**Gross loss ratio**	**Net loss ratio**	Gross loss ratio	Net loss ratio
Life insurance	**3.34%**	**2.10%**	5.60%	2.96%
Non-life insurance	**17.22%**	**39.57%**	36.27%	60.21%

30.3 Process used to decide on assumptions

The risks associated with these insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

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

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

30. Insurance risk (continued)

30.4 Claims development process

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

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

The Company believes that the estimates of total claims outstanding as of the end of 2020 are adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Analysis of claims development (gross — Property and liability insurance)

	2013 AED	**2014 AED**	**2015 AED**	**2016 AED**	**2017 AED**	**2018 AED**	**2019 AED**	**2020 AED**
Estimate of cumulative claims-Property and liability insurance (excluding medical)								
At the end of the accident year	3,604,325	3,114,597	2,775,378	3,307,863	9,313,838	3,366,696	7,381,478	**8,526,210**
One year earlier	2,155,229	2,786,276	2,645,251	909,669	2,516,721	2,315,233	944,317	**1,089,599**
Two years earlier	534,773	273,216	2,946,381	186,817	132,610	311,402	274,365	**115,287**
Three years earlier	866,472	127,148	165,927	1,253,916	236,155	234,315	502,341	**29,211**
Four years earlier	194,942	180,777	19,609	222,387	984,518	23,730	315,047	**30,392**
Five years earlier	185,741	24,950	78,307	53,571	114,200	6,700	21,646	**21,619**
Six years earlier	958,523	1,067,962	952,366	164,989	353,578	209,811	224,982	**88,150**
Gross outstanding liabilities	8,500,005	7,574,926	9,583,219	6,099,212	13,651,620	6,467,887	9,664,176	**9,900,468**

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

30. Insurance risk (continued)

30.5 Concentration of insurance risk

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

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

30.6 Sensitivity of underwriting profit

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

- The Company has an overall risk retention level of 46% for the year ended 31 December 2020 (2019: 51%). This is mainly due to low retention levels in general accident, fire and engineering. However, for other lines of business, the Company is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

- The Company has commission income of AED 15,856,373 in 2020 (2019: AED 11,459,239) predominantly from the reinsurance placement which remains a comfortable source of income.

Because of low risk retention of 46% during the year (2019: 51%) of the volume of the business and limited exposure in high retention areas such as motor, the Company is comfortable to maintain an overall net loss ratio of 14.46% (2019: 18.37%) and does not foresee any serious financial impact in the net underwriting profit.

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

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

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

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

30. Insurance risk (continued)

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

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

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

31. Capital risk management

The Company's objectives when managing capital are:

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

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

As per Article (8) of Section (2) of financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirement of solvency margins. As of 31 December 2020, the Company is confident of complying with solvency margins.

The U.A.E. Insurance Authority has issued resolution no. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for reinsurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the U.A.E. should be owned by U.A.E. or G.C.C. national individuals or corporate bodies.

32. Financial instruments

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

32.1 Significant accounting policies

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

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

32. Financial instruments (continued)

32.2 Categories of financial instruments

	2020 AED	2019 AED
Financial assets		
Investments carried at FVOCI (note 8.2)	**5,175,180**	4,639,817
Investments at amortised cost (note 8.1)	**335,622,610**	236,550,473
Premium and insurance balance receivable (note 11)	**74,924,855**	59,674,956
Other receivables and prepayments (excluding prepayments) (note 12)	**19,948,414**	15,060,754
Loans guaranteed by life insurance policies (note 9)	**48,458,780**	49,125,889
Statutory deposits (note 13)	**10,000,000**	10,000,000
Deposits (note 14)	**498,471,334**	567,540,653
Cash and cash equivalents (note 15)	**48,691,929**	77,801,820
Total	**1,041,293,102**	1,020,394,362
Financial liabilities		
Accounts payable (excluding rent received in advance) (notes 19 and 19.1)	**82,514,463**	59,519,952
Insurance liabilities	**74,436,991**	63,661,777
	156,951,454	123,181,729

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

32.3 Fair value measurements

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

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

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

32. Financial instruments (continued)

32.4 Fair value of financial instruments carried at amortised cost

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

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

32.4.1 Fair value measurements recognised in the statement of financial position

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

Financial assets	**Fair value as at 2020 AED**	2019 AED	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
Quoted equity securities	**5,175,180**	4,639,816	Level 1	Quoted bid prices in an active market.	None.	NA

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

32.5 Market risk

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

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

32.6 Foreign currency risk

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

32.7 Credit risk

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

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

32. Financial instruments (continued)

32.7 Credit risk (continued)

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

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

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

For receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

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

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

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

32. Financial instruments (continued)

32.8 Liquidity risk

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

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

	Less than 1 year AED	1 to 5 years AED	Over 5 years AED	No maturity date AED	Total AED
31 December 2020					
Financial assets					
Investments earned at FVOCI (note 8.2)	-	-	-	**5,175,180**	**5,175,180**
Investments at amortised cost (note 8.1)	-	**295,101,546**	**40,521,064**	-	**335,622,610**
Premium and insurance balance receivables (note 11)	**74,924,855**	-	-	-	**74,924,855**
Other receivables and prepayments (excluding prepayments) (note 12)	**19,948,414**	-	-	-	**19,948,414**
Loans guaranteed by life insurance policies (note 9)	-	**48,458,780**	-	-	**48,458,780**
Deposits (note 14)	**435,360,698**	**63,110,636**	-	-	**498,471,334**
Statutory deposits (note 13)	-	-	-	**10,000,000**	**10,000,000**
Cash and cash equivalents (note 15)	**48,691,929**	-	-	-	**48,691,929**
	578,925,896	**406,670,962**	**40,521,064**	**15,175,180**	**1,041,293,102**
Financial liabilities					
Accounts payable (excluding rent received in advance and premium received in advance) (notes 19 and 19.1)	**73,315,687**	-	-	-	**73,315,687**
Insurance liabilities	**74,436,991**	-	-	-	**74,436,991**
	147,752,678	-	-	-	**147,752,678**

32. Financial instruments (continued)

32.8 Liquidity risk (continued)

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

	Less than 1 year AED	1 to 5 years AED	Over 5 years AED	No maturity date AED	Total AED
31 December 2019					
Financial assets					
Investments earned at FVOCI (note 8.2)	-	-	-	4,639,817	4,639,817
Investments at amortised cost (note 8.1)	-	69,615,480	166,934,993	-	236,550,473
Premium and insurance balance receivables (note 11)	59,674,956	-	-	-	59,674,956
Other receivables and prepayments (excluding prepayments) (note 12)	15,060,754	-	-	-	15,060,754
Loans guaranteed by life insurance policies (note 9)	-	49,125,889	-	-	49,125,889
Deposits (note 14)	368,450,787	199,089,866	-	-	567,540,653
Statutory deposits (note 13)	-	-	-	10,000,000	10,000,000
Cash and cash equivalents (note 15)	77,801,820	-	-	-	77,801,820
	520,988,317	317,831,235	166,934,993	14,639,817	1,020,394,362
Financial liabilities					
Accounts payable (excluding rent received in advance) (notes 19 and 19.1)	59,519,952	-	-	-	59,519,952
Insurance liabilities	63,661,777	-	-	-	63,661,777
	123,181,729	-	-	-	123,181,729

The Company's exposure to interest rate risk relates to its bank deposits and debt instruments. At 31 December 2020, deposits carried interest at the range of 0.93% to 5.25% per annum (2019: 3.25% to 5.25% per annum). At 31 December 2020, debt instruments carried interest at the range of 4.75% to 7.50% per annum (2019: 4.75% to 7.50% per annum)

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2020 and equity as at 31 December 2020 would increase/decrease by approximately AED 4,462,764 (2019: AED 4,316,085). The Company's sensitivity to interest rates has not changed significantly from the prior year.

32.9 Equity price risk

32.9.1 Sensitivity analysis

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

- other comprehensive income and equity would have increased/decreased by AED 517,518 (2019: AED 463,981).

32. Financial instruments (continued)

32.9 Equity price risk (continued)

32.9.2 Method and assumptions for sensitivity analysis

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

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

33. Dividend

At the Annual General Meeting held on 15 April 2020 the Shareholders approved a cash dividend of AED 30 million (AED 30 per share) for 2019 (2019: AED 30 million – AED 30 per share for 2018).

The Board of Directors propose that a dividend of AED 30 per share amounting to AED 30 million be paid to shareholders in 2020 which is subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

34. Reclassification

The following balances in the statement of profit or loss for the prior year period have been reclassified to conform to the current period presentation.

	As previously reported at 31 December 2019 AED	**Reclassification AED**	**As reclassified at 31 December 2019 AED**
General and administrative expenses	29,209,200	1,203,394	28,005,806
Provision for expected credit loss	-	1,203,394	1,203,394

The above reclassifications also had changes done in the statement of profit or loss for property and liability insurance and statement of profit or loss for insurance of persons and fund accumulation operations. However, there was no impact to profit for the prior period based on above reclassifications.

35. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 9 March 2021.