



# AL DHAFRA INSURANCE COMPANY P.S.C.

National Company with a Paid - Up Capital of AED. 100,000,000 (AED. One Hundred Million) Established by Law No. 8 of 1979 and subject to Federal Commercial Companies Law No. 8 of 1984 and The U.A.E. Insurance Law (Federal Law No. 6 of 2007)  
TAX REG. No: 100014650400003

## Al Dhafra Insurance Company P.S.C

## ESG Comprehensive Report 2020

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### Sharjah Branch

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**2020  
SUSTAINABILITY REPORT  
AL DHAFRA INSURANCE COMPANY P.S.C**



AL DHAFRA INSURANCE COMPANY P.S.C.

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# Introduction

# About Us

Al Dhafra Insurance Company P.S.C (ADIC) established in 1979, is both life and non-life insurance provider listed on ADX, with our Head Office based in Abu Dhabi, United Arab Emirates (UAE).

With over 3 decades of history servicing the UAE market, we strive to achieve business excellence by applying innovations and technology in the way we operate. While being in a competitive position, we continuously try to improve, innovate, and grow while keeping our stakeholder interest at the core of everything we do. ADIC's business operation is fully automated and branches and offices are connected on-line with Head Office for fast and efficient customer service. Company has on-line sales offices in part of the Immigration offices and Traffic offices across the country.

## Our Core Mission and Values:

### Mission:

- Add Value to Insurance Service provided
- Increase Stake holder's Value

### Values:

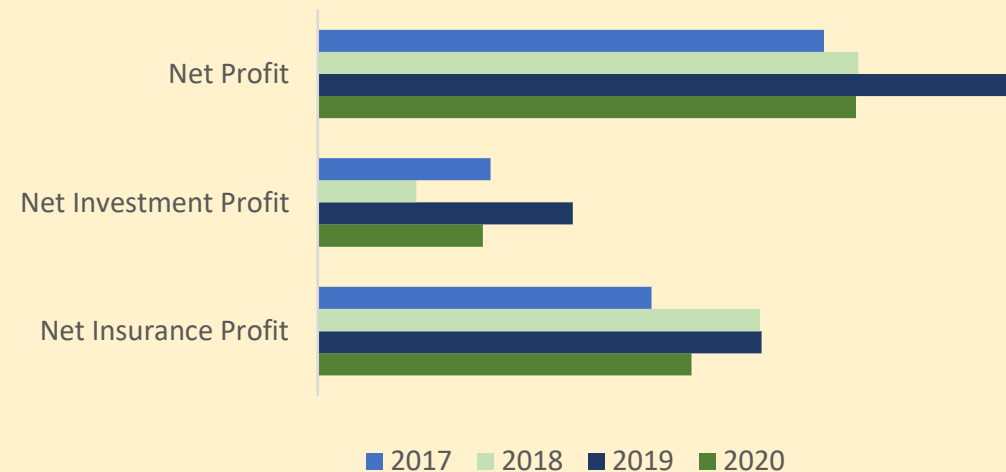
- Highest Priority to Customer Needs
- Loyalty and Integrity
- Constant Improvement
- High standard of Public Conduct

# Snapshot 2020

## 📍 Operational Presence

ADIC operated through its head office in Abu Dhabi and has branch offices in the U.A.E at Dubai, Sharjah, Al Ain and Bida Zayed. ADIC also has 15 Point of Sales offices and 6 traffic counters across the U.A.E.

Premium Written	Net Profit Ratio %	Solvency Ratio	Dividend Per Share
2020 – 289.9	2020 – 18.91%	2020 – 213%	2020 – 0.40
2019 – 323.8	2019 – 21.96%	2019 – 195%	2019 – 0.40
2018 – 333.5	2018 – 16.34%	2018 – 231%	2018 – 0.35
2017 – 415.3	2017 – 12.41%	2017 – 189%	2017 – 0.35



## 💡 Ratings Received

Moody – Baa1 Stable Outlook  
 AM Best – B++ Good Stable Outlook  
 ADNOC – ICV Certified

# General Manager Message

## Dear Stakeholders,

Welcome to the first sustainability report 2020 of Al Dhafra Insurance Co PSC.

As we publish our first Environmental, Social and Governance Report, we do so with an ambition to integrate sustainability into all of ADIC business activities; from playing our part in the global transition through the risks we share and the investments we make, to the way in which we support societal progress more broadly.

Acting responsibly is the basis for generating added value for and with all our stakeholders, especially in such unique circumstances as we faced in the past year. ADIC proved to be a reliable and responsible employer, business partner and member of our society throughout 2020. We upheld top service levels for our clients while protecting the health of our employees.

Operating in the insurance sector wherein trust matters the most, we remain committed to meet the expectations of our stakeholders by aligning our business model with the by

Sustainable Development Goals (SDG's) and working together for a positive future.

Our aim is to create lasting value for our shareholders, clients, employees, and society at large. This is reflected in the ambitious targets we set for our business, including comprehensive climate and diversity targets that span our whole organisation and our continued commitment to uphold environmental, social and governance (ESG) criteria in every area of our organization's influence.

ADIC has always put the wellbeing of its employee as its highest priority. The effect of the same is that it receives continuous input on the solutions regarding the varied concerns about climate change, human right issues and economic crisis which have brought the focus on transparency, sustainability and responsibility in business, covered in this report.

The commitments detailed in this report build on the activities already underway across ADIC that are actively supporting more sustainable businesses, communities, and nations.

We will continue to work closely, and to consult with the ADIC market and our customers as we make the transition to a more sustainable future.

We are committed to deliver our corporate responsibility through enhancing our customer services, honoring timely claims, serving the community and making long-term local investments. Further, we believe that presenting such sustainability report will serve as catalyst for self-assessment and continued improvement in our sustainability journey.

**Kamal Sartawi**  
General Manager



# About This Report

We are pleased to present our first sustainability report 2020. Through this report we demonstrate our commitment towards ADX initiative to drive sustainability in alignment with UAE national vision 2021, Abu Dhabi Economic Vision 2030 and national & global efforts on adopting sustainable development goals (SDG) through all the activities in insurance value chain.



## Reporting Period

The scope of this report cover our performance from 1 January 2020 to 31 December 2020.

This report is based on the ADX guidelines for ESG reporting. Our goal is to align our activities and operations, assess performance across KPIs, recognize strengths and acknowledge areas for improvement. We believe that this exercise will help in defining and implementing management practices aimed at bridging gaps and providing an ESG reporting framework to guide and aid our future business activities and operations. From a national and local context, the report has been developed taking into account key considerations of UAE Vision 2021 and Abu Dhabi Economic Vision 2030. From a global perspective, ADIC's ESG report has been developed from insights and considerations taken from the United Nations Sustainable Development Goals (SDGs) and wider reporting considerations taken from the GRI standards guidance.



## ADIC 2020 ESG Reporting Boundary and Limitations

The 2020 ESG report forms the reporting baseline moving forward. This report covers data for ADIC located within the UAE and covers all of its operations.



## Stakeholder Feedback

We thank all our stakeholders who have played a key role in contributing to our sustainability performance and welcome your valuable feedback on this report, which can be directed to [info@aldhafrainsurance.ae](mailto:info@aldhafrainsurance.ae).

# Governance Framework



# Overview

At ADIC, we believe that by having a high quality corporate governance framework and complete information transparency, we are better able to promote the long-term sustainable success of ADIC, generate value for all stakeholders and contribute to wider community.

Accordingly we have adopted and implemented a complete corporate governance framework that fulfills all applicable laws and regulations while also being in line with international best practices. This corporate governance framework is designed to ensure that ADIC has a culture of consistency, responsibility, accountability and transparency of highest standard at all level.

Ensuring that our governance processes and procedures are undertaken properly helps to contribute to our long-term sustainable success.

Accordingly, we are taking this opportunity to remind you of the comprehensive corporate governance framework that we have adopted and under which we operate. In this section, we will provide you with a brief overview of our corporate governance processes and report on how these processes have been implemented by us.

Further details on our Corporate Governance should be read in conjunction with separate Corporate Governance Report published by us (link to Corporate Governance Report 2020: [https://www.aldhafrainsurance.ae/wp-content/uploads/2021/02/Governance\\_Report\\_en2020.pdf](https://www.aldhafrainsurance.ae/wp-content/uploads/2021/02/Governance_Report_en2020.pdf))

# Governance

- **Board of Directors:**

- The Company's Board of Directors consists of 9 members who are citizens of United Arab Emirates. All the members of the Board of Directors are independent.
- The roles of the Chairman and the CEO are separated and the Chairman is considered independent.
- Regular meetings were held (6 meetings) in 2020, and the attendance for each of the meeting has been displayed in the corporate governance report 2020.
- Board biographies are disclosed in details in the governance report.
- Board members are elected at least every 3 years.

- **Audit and Internal Control:**

- The audit committee consists of 3 members and all are considered independent.
- Members of the committee have the financial and operational experience.
- The Audit Committee does not oversee sustainability risks but has a comprehensive role.
- The internal control system covers the standard issues related to financial, operational, and legal risks.
- No major internal control failures have been identified over the past three years.
- The nominations committee consists of 3 members and all are considered independent.

# Governance

- **Remuneration Committee:**

- The remuneration committee consists of 3 members and all are considered independent.
- All elements of remuneration are disclosed on an individual basis.
- We do not link our remuneration and performance targets as of now.

- **Investment Committee:**

- The Investment committee consists of 3 members and all are considered independent.
- Investment committee ensures proper investment of funds to respond adequately to changing economic and social circumstances.
- Decision making on the investment strategy occurs through mutual consent of the Board and the Committee.

- **Shareholders' Right:**

- We respects the "one share - one vote" principle.
- There are no major restrictions on shareholders' ability to vote.
- We disclose voting results in a general form.

# Governance

- **Corporate Governance Policy:**

- We are committed to having a corporate governance framework that is compliant with all corporate governance requirements that are applicable to public joint stock companies in the UAE and that are consistent with international best practices.
- Our Corporate Governance Policy provides clear guidance on:
  - ADIC corporate governance structure and the interface between the ADIC and its stakeholders.
  - The authorities and decision-making mechanisms within the ADIC and between its stakeholders.
  - The role and responsibilities of the ADIC corporate governance function.
- The policy provides complete details of the governance structure and responsibility to be shared by the stakeholders and the management team.

- **Code of Conduct :**

- Our Code of Conduct demonstrates ADIC's commitment to compliance and ethical behavior in all that it does.
- Our Code of Conduct:
  - Sets out the minimum standard of conduct that we expect from anyone working for or on behalf of ADIC.
  - Provides a set of basic rules and standards that are designed to ensure that our business is conducted in an ethical and compliant manner and in accordance with our core values.

# Governance

- **Non-Discrimination:**

- Based on our Code of Conduct core value 'We Are Respectful', we do not tolerate discrimination, harassment or violence of any kind in our workplace.
- We ensure all our employees adhere to this and base their conduct on our values of workplace ethics, honesty, and integrity.
- We expect all our suppliers, contractors and business partners to abide by our Code of Conduct and to our Supplier and Partner Code of Ethics.

- **Related Party Transactions Policy:**

- Our Related Party Transaction Policy is designed to ensure that:
  - transactions with related parties are conducted on arm's length terms.
  - the Board of Directors and senior management are aware of the steps required to approve transactions with related parties
  - a legitimate business case is present and which supports the relevant related party transactions, including their arm's length nature. (cont....)

# Governance

- **Related Party Transactions Policy:** (cont.....)

- In accordance with this policy, we may not enter into a related party transaction unless it has been approved by:
  - our Board of Directors, where the transaction's value does not exceed 5% of the value of our share capital.
  - our shareholders at a General Assembly, where the transaction's value exceeds 5% of our share capital.

- **Anti Money Laundering Policy:**

- AL Dhafra Insurance Company is committed to the highest standards of Anti-Money Laundering & Countering Finance of Terrorist (AML-CFT) compliance and requires management and employees to adhere to these standards to prevent the use of its products or services for money laundering purposes and to safeguard the interests of its customers/stakeholders.



# Environment



# Overview

We understand our major role being timely response to customers when they need assurance and especially when being impacted by the climate change claims. Moving from the traditional insurer role, we also realize that climate change risk requires us to actively engage with our entire value chain in implementing preventive risk management and adaptive strategies. While we try to reduce our environmental impact as far as possible, it is going to be a long journey building socio-economic resilience and transitioning to low-carbon economy together. Therefore, amongst others we want to take part through planned investments, awareness, and trainings (risk preparation and mitigation).

We are committed to limit the environmental footprint from our business operations, ensure economical use of resources and focus on processes that support our “Think Green” initiative. These programs are our steps in implementing ecological habits, embedding corporate philosophy in actions we take and impact we create in support to our society. Understanding that “Change is the only thing constant”, we review and revisit our operational goals and collaborate with employees and supply chain partners to operate responsibly and encourage continuous improvements & incentivize environmental stewardship.

# Environment

- **Water & Energy Management:**

- We continuously work towards reducing water and energy wastage at all times.
- The company has been monitoring its water consumption over the past year and in its effort to reduce wastage has planned to replace some of the water distribution devices with modern types that work on the principal of reducing water consumption.
- Similarly the company will also aim to replace lighting tools with modern type low consumption devices as part of its efforts to save consumption.
- The company aims at replacing the existing lighting with automatic lights, which operate by sensing the movement, in common areas in the office building.
- The above efforts will help company in achieving its goal of reducing water and energy consumption there by having a positive effect on the environment and public health.

- **Waste Management:**

- We continuously work towards reducing hazardous and non-hazardous waste.
- We work on measures to reduce hazardous and non-hazardous waste. One of the measures implemented is the “**THINK GREEN BEFORE YOU PRINT**” to reduce use of paper in the organisation.
- We have resorted to intra mails and DMS scanning and archiving mechanism to reduce the printing and thereby reducing the use of paper.
- The waste majorly consists of non hazardous waste out which some portions are recycled while other is disposed off as per the guidelines.
- Currently the company does not maintain quantitative data on the percentage of recycled non-hazardous waste.

# Environment

- **Sustainable Products and Services:**

- We work towards achieving sustainable products and services and constantly looks for ways to achieve the same.
- The company is working on providing online portals for its products and services to its Customers. In its efforts to achieve the same, has moved its motor insurance business to the online portal in its commitment to achieve sustainable products and services.

- **Allegations:**

- There have been no allegations on the company over the last 3 years.

# Social



# Overview

At ADIC, we believe that in addition to maximizing shareholders value, we must also act in a manner that benefits the society in which we operate as well the society in general.

Accordingly we constantly work to enact policies that promote an ethical balance between the dual mandates of striving for profitability and benefiting society as a whole. Our policies consists of both commission policy and omission policy in order to achieve our goal of social responsibility.

Accordingly, we are taking this opportunity to remind you of the comprehensive social responsibility framework that we have adopted and under which we operate. In this section, we will provide you with a brief overview of our social responsibility processes and report on how these processes have been implemented by us.

Further details on our Social responsibility should be read in conjunction with separate Corporate Governance Report published by us (link to Corporate Governance Report 2020: [https://www.aldhafrainsurance.ae/wp-content/uploads/2021/02/Governance\\_Report\\_en2020.pdf](https://www.aldhafrainsurance.ae/wp-content/uploads/2021/02/Governance_Report_en2020.pdf))

# Social Responsibility

- **Responsible Relationships with Customers:**

- The company has made general references to ensure responsible customer relations in its website. We strive to provide exceptional customer service and maintain a healthy customer relationship.
- Al Dhafra has deployed measures to ensure responsible customer relations.
  - Complaint management system: Al Dhafra has a complaint management system that resolves all complaints within 1 business days of receiving notice.

- **Responsible Relationships with Suppliers:**

- Al Dhafra has made general references to ensure responsible relationship with its suppliers and tries to procure majority of its requirement from local suppliers.
- Al Dhafra has deployed limited measures to ensure responsible relationships with suppliers.
  - Procurement from Local Suppliers: Al Dhafra has a system in place for procurement from local suppliers.
  - All the suppliers need to pass through the ADIC checklist before empanelment which takes into account ESG factors.

- **Data Privacy and Security:**

- The kind of information we deal with, data privacy and security is of great importance to us, as such we keep on implementing data security systems that maintain the privacy of the data by providing utmost security.
- We have also setup a disaster recovery plan in partnership with Etisalat to further enhance our data security and storage.

# Social Responsibility

- **Human Capital Health and Safety:**

- With the outbreak of the Corona virus pandemic, the company promoted remote working for its employees and also conducted the necessary examination to detect the disease in its effort to comply with the government directives.
- Once the outbreak eased out and authorities allowed the employees to return to offices, the company started operating in double shift to ensure social distancing in offices in its effort to provide a healthy work environment for its employees.
- Company provides health insurance to all its employees at the expense of the company.

- **Employee Training and Development:**

- The company has made general references to promote employee training and development in its Corporate Governance Report 2020 and website. We strive to provide career development.
- The company provides on job training to all its employees from time to time.
- The company also encourages its employees to take part in conferences arranged by different organizations to enhance the knowledge and keep up to date with the current changes.
- The company encourages its employees to go for higher studies related to their area of work and provides them with paid leaves for examination and reimbursement of fees for the course and study material.
- The Employee Turnover for 2020 is at 7.28% in comparison to 10.52% in 2019.



# Social Responsibility

- **Work Environment:**

- Company is commitment to provide a healthy work environment at work place.
- In our commitment to provide a healthy work environment, we work to provide a healthy work life balance for our employees and as such employees are encouraged to not work after the working hours are completed.
- In our efforts to have a healthy environment and to keep our employees motivated, we arrange various camps for our employees. One such camp organized last year before the pandemic was a desert safari exertion for all the employees.
- The management team is also always easily accessible for all the employees to guide them and help them in work.
- The on Job training provided to new and existing employees in under the direct supervision of Dept. heads.
- This provides the employees with more confidence in their work as well as trainer can guide them towards results with proper feedback.
- These efforts help in keeping a healthy environment at work place.

# Social Responsibility

- **Equal Opportunity:**

- Company is commitment to promote equal opportunity within the organization.
- Our policy is to hire is based on the qualification and relevant experience to handle the job profile and the best fit based on the above criteria is employed within the organization.
- The company also follows a clear salary and wages policy on the basis of competence and experience in accordance with unified standards for both men and women.
- The share of women in the workforce has increased to 17.31% in 2020 as compared to 16.75% in 2019.

- **Community Initiatives:**

- The company in its effort to help the community works on voluntary initiatives from time to time.
- In the last 3 years company has donated AED 163,563/- to The United Arab Emirates Red Crescent (UAERC).

- **Youth Development:**

- The company is committed to promote the development of youth within the organization and constantly provides opportunity to youth to join the organization.
- The company encourages various internships program for college students from time to time in its effort for youth development in the region.

# Social Responsibility

- **Emiratisation:**

- The company has made specific reference to promote Emiratisation in its Corporate Governance Report 2020 and website. We commit to Emiratisation and offers nationals opportunities for employment, training and career development.
- The company has 7% UAE nationals working with various departments.
- We plan to increase the percentage of citizen employees to 15% by 2022 as per the developed Tawteen plan approved by our Board of Directors.
- In order to achieve the targeted percentage, we will be participating in the upcoming National Career exhibition & Tawteen data bank to source CV's.
- The candidates will than be contacted for a telephonic discussion and if the candidates shows interest to join the insurance sector at the packages offered by the company, will call them for a personal interview and test.
- Successful candidates will be given the offer & will be appointed after completion of MOL formalities.

# Future Sustainability Approach

- **Our Approach:**

- The company shall be committed to prepare this report annually.
- Our sustainability approach does not always stop evolving, which allows us to continue to reinforce our responsibility, supervise our various capital flows and understand the interlinkages between what is best, in addition to our support in consolidating a comprehensive and integrated approach towards various groups in terms of the decision-making and practices, and keeping our concentration focused on creating value in short, medium and long term.
- This report represents our relentless efforts to open transparent communication with relevant and concerned parties internally and externally, as well as being part of our internal measures to monitor operations and ensure full harmony between our operations and practices on the one hand, and our strategic vision on the other hand.
- The company as such is committed to comply with the UAE vision 2021 and Abu Dhabi Vision 2030 in the future as well.

# FEEDBACK.

We appreciate your valuable feedback on this report and any other queries that you may have.  
You may write to us at:

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## Al Dhafra Insurance Co. PSC

 [www.aldhafrainsurance.ae](http://www.aldhafrainsurance.ae)

 971 2 6949 444



# AL DHAFRA INSURANCE COMPANY P.S.C.

National Company with a Paid - Up Capital of AED. 100,000,000 (AED. One Hundred Million) Established by Law No. 8 of 1979 and subject to Federal Commercial Companies Law No. 8 of 1984 and The U.A.E. Insurance Law (Federal Law No. 6 of 2007)  
TAX REG. No: 100014650400003

## Al Dhafra Insurance Company P.S.C

### Annual Corporate Governance Report 2020

#### **Abu Dhabi (Head Office)**

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Website : <http://www.aldhafrainsurance.ae>

E-mail. [info@aldhafrainsurance.ae](mailto:info@aldhafrainsurance.ae)



- Directors are to absent themselves from attendance at a meeting of directors where a matter in which they have a material personal interest is being discussed, unless the other directors vote otherwise.
- Concerned parties as defined in ministerial resolution 518 of 2009 are required to disclose to the board within 3 days of transaction that has caused, any conflict of interest or benefit, direct or indirect with Company (including its affiliate or allied companies).
- If one of the major shareholders or Board members has a conflict of interest in an issue which can affect the price or volume of trading of the Company's securities, the Board should conduct a meeting and issue a decision in attendance of all its members; excluding the concerned shareholders/ director. In extraordinary cases, such issues can be resolved through a special committee formed for that purpose.
- Each director shall upon commencement of his term disclose to the Company the nature of the positions the same occupies in the companies and the public establishments and other important commitments and specify the time allocated thereto, and any changes on the above mention upon occurrence.
- Additionally, each director shall disclose on an annual basis, the nature of positions the same occupies in the company's securities, the parent company, and subsidiary or affiliate companies. Based on these disclosures.
- Directors are to monitor compliance with the disclosure policy and to take remedial action where necessary.
- Board members of the company, its manager and staff are not allowed to sell and buy company's shares within a period of 15 days prior to the end of the quarterly, half-yearly and annual financial period and until the disclosure of the financial reports to Financial Market, whereas their trading will be allowed to resume thereafter, provided such transactions followed approval process as required by the prevailing law.
- The company is committed to provide Financial Market with interim (quarterly) reports within one month from the end of each fiscal quarter. The reports must be approved as per the International Financial Reporting Standards (IFRS) and reviewed by the external auditor and approved by the company's executive management.



### Compliance with the Conflict of Interest Policy during the Last Year:

The Board hereby declares that each member of the Board has complied with the disclosure requirements as per the laws and regulations issued by the Ministry of Economy and the Securities and Commodities Authority. There is no indication of non-compliance by any of the members of the Board of Directors.

### Directors and Employees Dealing in Company's Shares:

The board is responsible for reviewing share dealings by the Board Members, their spouses and children annually, and to decide whether any proposed dealings in the Company's shares at any time by director or their family member or employee requires the prior consent of the Chairman or Security Market.

During the year 2020, share transactions were conducted in either their personal capacity or representing a company by the Board of Directors including their first class relative.

S/N	Names	Position/Relationship	Shares held at 31/12/2020	Total Sale	Total Purchase
1.	H.E Sheikh Mohamed Bin Sultan Al Dhahiry	Chairman Board of Directors	4,587,098	-	-
2.	H.E. Yousef Bin Mohamad Ali Al Nowais	Deputy Chairman.	118,700	-	-
3.	H.E. Sh. Ahmed Moh'd Sultan Al Dhahiri	Board of Director	3,219,869	-	-
4.	H.E Sh. Sultan Saeed Sultan Al Dhahiri	Board of Director	1,451,939	-	-
5.	H.E. Saif Bin Mubarak Al Riyami	Board of Director	2,988,505	-	-
6.	H.E. Saif Saeed Bin Ahmed Ghobash	Board of Director	26,666	-	-
7.	Mr. Muhammad Saeed Omran Al Mazrouei	Board of Director	60,727	-	50,727
8.	Mr. Rashid Saeed Ahmad Ghobash	Board of Director	-	-	-
9.	Mr. Mohamed Hussain Jasim Al Nowais.	Board of Director	2,681,759	-	-





## Board of Directors:

### Board Composition:

Company's Board of Directors comprises of 9 Non-Executive members from which 9 are independent directors and there is no change in the formation of Board of directors for 2020. Following table is listing down the board members along with their representation on different Board Committees.

Sr. No.	Name	Particulars (Independent / Executive)	Board Committee Memberships	Duration
1.	H.E Sheikh Mohamed Bin Sultan Al Dhahiry	Independent & Non-executive	Chairman Board of Directors	Since 1993
2.	H.E. Yousef Bin Mohamad Ali Al Nowais	Independent & Non-executive	Deputy Chairman.	Since 2007
3.	H.E. Sh. Ahmed Moh'd Sultan Al Dhahiri	Independent & Non-executive	Chairman – Nomination and Remuneration	Since 2016
4.	Mr. Rashid Saeed Ahmad Ghobash	Independent & Non-executive	Member – Audit Committee	Since 2019
5.	H.E Sh. Sultan Saeed Sultan Al Dhahiri	Independent & Non-executive	Member –Audit Committee and Investment Committee.	Since 2016
6.	H.E. Saif Bin Mubarak Al Riyami	Independent & Non-executive	Member – Nomination and Remuneration Committee & Audit Committee	Since 1984
7.	H.E. Saif Saeed Bin Ahmed Ghobash	Independent & Non-executive	Member – Nomination & Remuneration Committee.	Since 2010
8.	Mr. Muhammad Saeed Omran Al Mazrouei	Independent & Non-executive	Chairman Audit Committee and member - Investment Committee.	Since 2013
9.	Mr. Mohamed Hussain Jasim Al Nowais.	Independent & Non-executive	Chairman – Investment Committee	Since 2019

### Short Curriculum Vitae of the Board Members:

- H.E Sheikh Mohamed Bin Sultan Al-Dhaheri: Businessman. Leading the Board of Directors since 1993, holds a Bachelor Degree in politics, economy & law from University of Buckingham - UK and Master's degree in Business Administration from Brunel University - UK, currently heads Al Dhahiry group. Held several important positions in the country, including Chairman of Al Dhahiry Group, Bin Suroor Holding, Abu Dhabi Refreshment Company and Chairman of Al Dhafra Insurance Company.
- HE Yousif Bin Mohammed Ali Al Nowais: Businessman, Board Member since 2007. Holds a university degree from the University of Arizona in 1979. He is the Chairman of the Board of Directors and General Manager of Arab Development Company, and also the Co-Chairman of Al-Nowais Investment Company LLC. He is also Chairman, Vice Chairman or member of several private institutions including, Archirodon, Carbon Holdings, Rotana Hotel Management, International Mechanical and Electrical Company, Technical Metal LLC, Al Ain sports club and ADIC. He has previously held several positions, in the ADNOC group including Finance Director and Managing Director of ADNOC's subsidiary FERTIL.



- **H.E.Sh. Ahmed Moh'd Sultan Al Dhaheri:** Businessman. He is currently Vice Chairman Of Abu Dhabi National Hotels, and Abu Dhabi Aviation. He is currently board member of National Consultative council Abu Dhabi, First Abu Dhabi Bank, Etisalat, Al Dhaheri Group, and Abu Dhabi Refreshment Co.LTD. He hold a bachelor's degree in civil engineering from Al Ain University.
- **Mr. Rashid Saeed Ahmad Ghobash:** He holds a Bachelor's Degree of Financial Studies from American University of Sharjah. Currently, he is acting a Director of Bayan Investment Company for the past three years, and Senior Analyst in Public Debt Office and responsible for the Investor Relations Department of Finance, Abu Dhabi. Previously, he was working as Financial Analyst, Department of Finance, Abu Dhabi.
- **H.E.Sh. Sultan Saeed Sultan Al Dhahiri:** Businessman. He is currently Board member of Al Dhaheri Group, Bin Suroor Holding and Abu Dhabi Refreshment LTD. He holds as General Business Administration and Management.
- **H.E. Saif Bin Mubarak Al Riami:** Businessman. Brigade retired, a board member since 1984, he served as a board member of Abu Dhabi Commercial Bank, Union Coop, the Municipal Council, Chairman of the Board of Directors in Ain Cooperative Society, Al Khor Contracting Company, baraem Al Ain school, Al Ain technical Metal Industries, Al Dhaher Colas group (Oman) . He holds a master's degree in military science-the National Defence College (India).
- **H.E. Saif Saeed bin Ahmed Ghobash:** Appointed Director General of the Abu Dhabi Executive Office in January 2020 where he currently serves. He previously served as the Undersecretary of the Department of Culture and Tourism Abu Dhabi. Prior to that he was the COO and then Acting CEO of Abu Dhabi Media Company. Saif earned a Bsc in Economics from the Wharton School at the University of Pennsylvania. He also earned an EMBA from IMD in Lausanne.
- **Mr. Mohamed Saeed Omran Al Mazrouei:** A young finance professional. Member since 2014, holds a Bachelor's Degree of Business Administration in Finance and Management from American University of Sharjah and a Master's degree in Finance and Banking from Paris-Sorbonne University Abu Dhabi. Have experience in handling investment portfolio, coupled with experience of managing Al Omran Real Estate and Electro Technical Line (Maintenance Company).
- **Mr. Mohammad Hussain Jasim Al Nowais:** He holds a Bachelor's Degree in Economics and Business Finance from the Brunel University in London, UK. Currently is the Managing Director of AMEA Power and works with Al Nowais Investments Company in Abu Dhabi as an Executive Director. Previously he was an Investment Associate at Abu Dhabi Investment Authority (ADIA) and worked with J.P. Morgan in USA and completed multiple internships with international financial institutions including HSBC in Abu Dhabi and Citi Bank in London, UK.



### Women Members in the Board of Directors:

The nomination process for the Board of Directors is open and available to all qualified shareholders. The shareholders choose a member of the Board of Directors of the women according to the nomination process. It should be noted that to date, no woman has been a member of the Board of Directors. During the opening of the nomination period at the 2019 General Assembly meeting as there is no female component in the Board of Directors currently.

### Directors Remuneration:

Remuneration to the board members is determined in pursuant to the Article (118) of the Law of Commercial Companies No. (8) Of 1984. I.e. Up to 10% of the profit for the year, after deducting depreciation and reserve, and distributing a minimum of 5% as revenues from the shareholders capital. Remuneration AED 4,500,000 was paid to the Board for year 2019.

Proposed remuneration for Board of Directors for 2020, which will be submitted to the Annual General Assembly meeting is AED ( Not yet determined ).

No allowances was paid for Board of Directors for attending the sessions of the Board subcommittees for the Financial Year 2020.

### Audit Committee:

Name	Number of meetings	Total
Mr. Mohammed Saeed Omran Al Mazrouei	4	-
H.E. Saif Bin Mubarak Al Riyami		-
Mr. Rashid Saeed Ahmad Ghobash		-

### Nomination and remuneration committee:

Name	Number of meetings	Total
H.E. Sheikh Ahmed Mohammed Sultan Al Dhaheri	1	-
H.E. Saif Saeed Bin Ahmed Ghobash		-
H.E. Saif Bin Mubarak Al Riyami		-

### Investment Committee:

Name	Number of meetings	Total
Mr. Mohamed Hussain Jasim Al Nowais	2	-
H.E. Sheikh Sultan Saeed Sultan Suroor Al Dhaheri		-
Mr. Mohamed Said Omran Al Mazrouei		-



## Board Meetings:

There were 6 Board meetings held during the year 2020. The following table clarifies the dates of the meetings and the attendance of the members:

Name of Directors	Dates of Meetings					
	(06/2020) 11/11/2020 (Via Video Conferencing – Webex)	(05/2020) 28/09/2020 Circular	(04/2020) 12/08/2020 (Via Video Conferencing – Webex)	(03/2020) 04/05/2020 Circular	(02/2020) 12/05/2020 (Via Video Conferencing – Webex)	(01/2020) 11/02/2020
H.E. Sheikh Mohamed Bin Sultan Al Dhahiry	✓	✓	✓	✓	✓	✓
H.E. Yousef Bin Mohamed Al Nowais	✓	✓	✓	✓	✓	✓ Proxy
H.E.Sh. Ahmad Moh'd Sultan Al Dhahiri	✓	✓	✓	✓	✓	✓
H.E.Sh. Sultan Saeed Sultan Al Dhahiri.	✓	✓	✓	✓	✓	✓
H.E. Saif Bin Mubarak Al Riamey	✓	✓	✓	✓	✓	✓
H.E. Saif Saeed Bin Ahmed Ghobash	✓	✓	✓	✓	✓	✓ Proxy
Mr. Mohamed Saeed Omarn Al Mazrouei	✓	✓	✓	✓	✓	✓
Mr. Rashid Saeed Ahmed Saeed Ghobash	✓	✓	✓	✓	✓	✓
Mr. Mohamed Hussain Jasim Naser Al Nowais.	✓	✓	✓	✓	✓	✓

“✓” = Attended

“✓ Proxy” = Proxy

“✗” = Apologized

“N/A” = Were not member as of date

“E” = Term Expired



## Board Tasks and Responsibilities:

The Boards' role is to represent the shareholders and is accountable to them for creating and delivering value through the effective governance of the business.

The Board will annually publish an Annual Governance Report, which is a statement of the practices and processes the Board has adopted to discharge its responsibilities.

Once appointed, every director shall disclose to the Company the nature of relations he has with other listed companies, including positions, investments and other significant obligations through signing a Declaration of Independence Form.

Additionally, the Board shall have the following Roles and Responsibilities:

- Set and review the strategic direction and approves the Annual Operating Budget and Business Plan;
- Make decisions concerning the Company's capital structure and dividend policy;
- Review, approve and monitor major investments and strategic commitments;
- Review and approve the annual and interim Financial Statements;
- Ensure compliance with applicable laws, regulations and all appropriate accounting standards;
- Ensure that an adequate risk management framework is in place to identify, assess and mitigate risks;
- Ensure appropriate policies and delegations are in place to effectively govern the Company;
- Adopt a Governance Structure that is aligned with the Company's values and strategies, and ensures the following:
  - Enhancing the Company's reputation;
  - Maintaining high standards of behavior;
  - Promoting ethical and responsible decision making;
  - Communicate clear expectations and Delegation of Authority; and
  - Complying with the applicable Governance Regulation (i.e. Securities Commodities Authority (SCA) regulations).
- Appointment of the Senior Management and evaluation of his on-going performance and remuneration through the Nomination and Remuneration Committee.
- Ensure that an appropriate succession plan for Senior Management is in place;
- Recognize the legitimate interests of all stakeholders, being the shareholders, customers, staff and the communities in which the Company operates;



- Set written rules for the dealings of the staff in the securities issued by the Company and its associated companies (where applicable);
- Ensure the integrity of external reporting including:
  - Review and monitor controls, processes and procedures in place to maintain the integrity of the Company's financial and accounting records and statements, with the guidance of the Audit Committee upon its formation;
  - Ensure accurate, objective and comprehensive information is conveyed to the shareholders to ensure that they are fully informed of material developments; and
  - Review the reports of the Audit Committee in relation to risk, internal controls and internal and external audit reports.
- Exceptionally issue some of its decisions by passing on a draft thereof for signature in emergency situations, provided the following are taken into considerations:
  - That the cases of issuing decisions by passing on the draft decision for signature may not exceed four (4) cases a year;
  - The agreement of the majority of the members of the Board that the concerned case is a case of emergency;
  - Handing the decision to the members of the Board in writing for the purpose of their consent, provided that the documents and evidences necessary to study the same are accompanied therewith; and
  - The written consent of the majority shall be attained on any decisions of the Board that is issued through passing on written draft for signature, and provided that the same is presented to the subsequent meeting of the Board so as to include the same in the minutes of the meeting.
- Tasks of the Non-Executive Directors shall include without limitation:
  - To participate in meetings of the Board and to provide independent opinion on strategic matters, policy, performance, accountability, resources, appointments and activity criteria;
  - To ensure that priority shall be given to the Company's and Shareholders' interests in case of conflict of interests;
  - To participate in the Company's Audit Committees;
  - To control the Company's performance in realizing its agreed objectives and goals and to monitor its performance reports;
  - To develop procedural rules for the Company's Governance and supervise and monitor their implementation in compliance therewith; and
  - To avail the Board and its different Committees of their skills, experience, diversified specialties and qualifications through regular presence and efficient participation in the General Meetings.



### Responsibilities Delegated to Executive Management:

The Executive management, comprising General Manager, as well as Department Heads who are responsible to implement the company strategy and manages the day-to-day affairs of the company according to the business plans and activities approved by the Board, protecting the shareholder interests and adopting best and successful practices. Executive management delegates functions to senior management team subject to board policies and legal requirements.

The power to authorize the signature of the Executive Management for a period of three years from 25/6/2019.

SR	Authorized Person	Authorization power	Authorization period
1	Kamal Sartawi	Management of all the company's affairs	3 Years

### Transactions with Related Parties:

Major stakeholders identified are directors including major shareholders of the company and those entities in which they have ability to control or exercise significant influence in financial and operational decisions, and key management personnel. These transactions are made with in the normal course of business. These transactions are based on the insurance services provided to Director's associated companies for the year 2020. If the transaction amount with related party exceed 5% of share capital of ADIC, Board approval is required for such transactions. Details of the transactions and relationship are as follows for 2020:

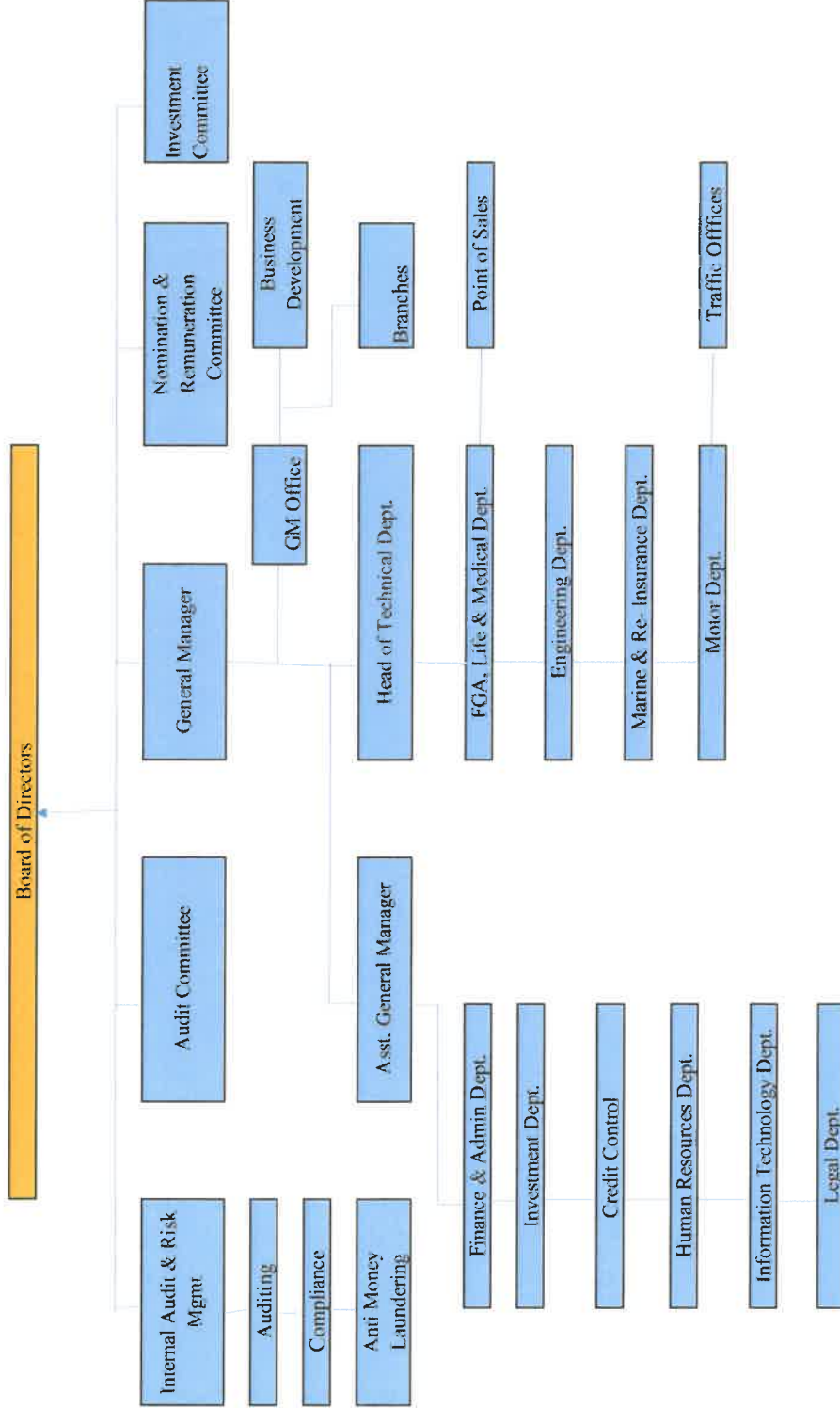
Related party Name & Nature of Relationship	Sum of Premiums	Sum of Claims
Chairman's Group	378,246	180,083
Chairman's Group	36,030	67,034
Chairman's Group	749,326	302,581
Chairman's Group	232,680	235,208
Chairman's Group	101,529	-
Director	99,736	119,560
Director	7,187	-
Director	43,688	49,833
Director	17,350	-
Total	1,665,774	954,299

There was no board member whose transactions exceeded 5% of the paid up capital.



The following is the company's organizational

The following is the company's organizational chart







### Company's Executive management includes:

Total remuneration given in 2020 to General Manager, Assistant General Manager and Head of Technical as per table below:

Ser.	Position	Date of appointment	Total salaries and allowances paid for 2020 (AED)	Total proposed bonuses for 2020	Any other cash/ real bonuses of 2019 (or to become payable thereafter)
1	General Manager	Since 1984	1,654,822	Not yet determined	xx
2	Asst. General Manager	Since 1994	662,547	Not yet determined	xx
3	Head of Technical	Since 2013	578,787	Not yet determined	xx

### Supervision Committee of Insiders' Transactions

Mr. Ajith Kumar, Chairman of the Supervision Committee acknowledges his responsibility for the follow-up and supervision system on transactions of the insiders in the Company, review of its work mechanism and ensuring its effectiveness.

1. A committee was set up to monitor and supervise insider transactions on 24/11/2020 from the following:

Name	Member of Supervision Committee
Mr. Ajith Kumar	Chairman of the Committee
Mr. Mohammed Al-Najoumi	Member
Mr. Mahmoud Ezzat	Member

2. The committee is responsible for managing the policy of dealing with the shares of the company and monitoring the circulation of members of the Board of Directors and employees in the shares of the company regularly.
3. The Committee held its meeting on 05/01/2021 and reviewed the updated list of insiders' record. It also reviewed the total trading on the company's shares as at 31/12/2020 and did not notice any irregularities related to insider transactions during that period.



### External Auditors:

The External Auditor of Al Dhafra Insurance Company is Grant Thornton, and their address is P.O. Box: 41255 -Abu Dhabi- UAE. The said Auditor is an External Auditing Company and independent from the Company's Board of Directors and its Executive Management.

The Board of Directors recommends to the General Assembly the appointment of the External Auditor upon the recommendation of the Audit Committee which takes into account the efficiency, reputation and experience. The determination of the External Auditor fees is decided by the General Assembly of the Company. The External Auditor Attends the Company's General Assembly Meeting and presents its report to the shareholders, such report shall be neutral and independent. Also, the External Auditor replies to the enquiries related to its report.

There are no reservations of the company's auditor on the interim and annual financial statements for the year 2020.

The Audit Committee reviews the quality and efficiency of the audit operations performed by the External Auditor, and presents the necessary recommendations to the Board of Directors as to the re-appointment or replacement of the External Auditor. The External Auditor has been auditing the Company's accounts since 2020.

The company has not utilized any form of services from any other external auditor/party while preparing its annual Financial Statements.

Name of Auditing Firm	Grant Thornton
Audit Engagement Partner	Samer Hijazi
Number of years the auditor spent as an external auditor of the Company	Since 2020 (1 year)
Total auditing fees in relation to the financial statements of 2020 (AED)	AED 115,000
The cost of other services rendered by the external auditor for filing of XBRL to Security and Commodities Authority (SCA) , E-Form certification and AML report for Insurance Authority	AED 200,000
A statement of other services provided by another external auditor (other than the Company's auditor) during 2020 (if any). If there was no another external auditor, this should be mentioned expressly.	<ul style="list-style-type: none"> <li>• AJMS for Internal Audit Services</li> </ul>



## Board Committee's:

### Audit Committee:

Mr. Mohamed Saeed Omran Al Mazrouei, Audit Committee Chairman, acknowledges his responsibility for the committee system in the Company, review of its work mechanism and ensuring its effectiveness

#### Roles and Responsibilities (Term of Reference):

- Oversight of the preparation of the Financial Statements.
- Review of the annual and quarterly Financial Statements.
- Review any insider, affiliated or related party transactions and ensure that rules for the conduct and approval of these are complied with.
- Reviewing the Company's Internal Control Systems for effectiveness. This may be undertaken by seeking assistance from external consulting firms.
- Ensure Risk Management policies are developed and undertake regular examination of cases of non-compliance with the same.

#### Composition of the Audit Committee:

S No	Name	Designation
1	Mr. Mohamed Saeed Omran Al Mazrouei	Chairman
2	H.E. Saif Bin Mubarak Al Riyami	Member
3	Mr. Rashid Saeed Ahmed Ghobash	Member

- Mr. Omran Al Mazrouei has the expertise in finance and accounting. All three members are Non-Executive.

The following table clarifies the dates of the meetings and the attendance of the members:

Name	Meeting Dates			
	(04/2020) 09/11/2020 (Via Video Conferencing – Webex)	(03/2020) 05/11/2020 (Via Video Conferencing – Webex)	(02/2020) 12/05/2020 Circular	(01/2020) 05/02/2020
Mr. Mohamed Saeed Omran Al Mazrouei	✓	✓	✓	✓
H.E. Saif Bin Mubarak Al Riyami	✓	✓	✓	✓ Proxy
Mr. Rashid Saeed Ahmed Ghobash	✓	✓	✓	✓

“✓” - Attended

“✓ Proxy” - Proxy

“✗” - Apologized

“N/A” - Were not member as of date

“E” - Term Expired



### Nomination and Remuneration Committee:

Sh. Ahmed Moh'd Sultan Al Dhahiri, Nomination and Remuneration Committee Chairman, acknowledges his responsibility for the committee system in the Company, his review of its work mechanism and ensuring its effectiveness

### Roles and Responsibilities (Term of Reference):

Verification of on-going independence of independent board members. If the committee discovers that any of the members do not meet the independence criteria, it shall present this matter to the company's board and the board shall notify the member by a letter to be sent by registered mail to the members' registered address recorded in the company's files and shall address the reasons for the lack of independence; such member shall provide clarification to the board within fifteen days from the date of the notification.

The board in its earliest meeting after the member's response or after the expiry of the period preferred to above, shall issue a decision confirming whether the member is considered independent or not.

Even when such board member is no longer meeting the independence criteria and such situation does not result a breach to the minimum requirement for the number of independent board members, the same must be taken into account when establishing board committees.

Notwithstanding provisions of Article (102) of the Commercial Companies Law, if the board decision holding that the member is no longer independent is to impact the minimum requirements for the independent board members, the board shall appoint a new member as a replacement and such appointment shall be reviewed at the earliest general assembly of the company in order to give effect to the decision of the board.

Formulation and annual review of the policy on granting remunerations, benefits, incentives and salaries to the Board members and senior executives of the Company and the committee will verify that remunerations and benefits granted to the senior executive management of the Company are reasonable and in line with the Company's performance.

### Composition of the Nomination & Remuneration Committee:

The Board has delegated authority to the committee as per the approved term of reference. The role of the Committee is to assist in discharging the board's responsibilities relating to compensation of company's staff and nomination to the membership of the board in line with applicable laws and regulations. The Board decides the need and frequency of the committee to discuss and advise related matter accordingly, the members nominated by the board for committee are as follows:

S No	Name	Designation	Attendance
1	Sh. Ahmed Moh'd Sultan Al Dhahiri	Chairman	✓
2	H.E Said Bin Mubarak Al Riyami	Member	✓
3	H.E. Saif Saeed Bin Ahmed Ghobash	Member	✓



The following table clarifies the dates of the meetings and the attendance of the members:

Name	Meeting Dates	
	01/2020	20/01/2020
H.E. Sh. Ahmed Moh'd Sultan Al Dhahiri.	✓	✓
H.E. Saif Bin Mubarak Al Riyami	✓	✓
H.E. Saif Saeed Bin Ahmed Ghobash.	✓	✓ Proxy

"✓" = Attended

"✓ Proxy" = Proxy

"✗" = Apologized

"N/A" = Were not member as of date

"E" = Term Expired

### Investment Committee:

Mr. Mohamed Hussain Jasim Al Nowais., Chairman of the Investment Committee acknowledges his responsibility for the committee system in the company and for his review of its work mechanism and ensuring its effectiveness.

### Roles and Responsibilities (Term of Reference):

- Setting the investment guidelines
- Reviewing / monitoring the investments
- Review the compliance of investment portfolio with the applicable laws
- Review and monitor the performance of the investment made through outsourcing
- In conjunction with the Audit Committee, determining the scope of the rigorous audit procedures that include full coverage of the investment activities to ensure timely identification of internal control weaknesses and operating system deficiencies
- Assisting the Board of Directors in its evaluation of the adequacy and efficiency of the investment policies, procedures, practices and controls applied in the day-to-day management of its business through an audit report that is to be submitted to the Audit Committee
- Review and approve the valuation methods used to value the investments
- Review and approve a stress testing framework and policy for all its investments
- Review the result of stress testing performed at least annually

### Composition of the Investment Committee:

1	Mr. Mohamed Hussain Jasim Al Nowais.	Chairman
2	H.E. Sheikh Sultan Saeed Sultan Suroor Al Dhaheri	Member
3	Mr. Mohamed Saeed Omran Al Mazrouei	Member



The following table clarifies the dates of the meetings and the attendance of the members:

Name	Meeting Dates	
	(02/2020) 01/10/2020 (Via Video Conferencing – Webex)	(01/2020) 25/02/2020
Mr. Mohamed Hussain Jasim Al Nowais.	✓	✓
H.E. Sheikh Sultan Saeed Sultan Suroor Al Dhaheri	✗	✓
Mr. Mohamed Saeed Omran Al Mazrouei	✓	✓

"✓" = Attended

"✓Proxy" = Proxy

"✗" = Apologized

"N/A" = Were not member as of date

"E" = Term Expired

#### Internal Controls:

The Board accepts its responsibility of application, review and efficiency of the Company's Internal Control Systems. The board conducts an annual review of the following:

- Review of the mechanism of operation of the Company's internal control department;
- Review procedure that the Company has adopted to determine, assess and manage considerable risks;
- Evaluate procedure that the Company has adopted to handle material internal control aspects of any serious problems that have been disclosed in the annual accounts and reports.

*Internal control system in the Company is evaluated by various procedures including:*

- Financial functioning is adequately governed through internal control procedures adopted in the Company. Financial manual of the Company details the rules and procedures to be followed in each financial transaction including various levels of financial authorities are defined and exercised by the concerned authorized employees of the Company, either individually or jointly.
- The Company has an Internal Control Department headed by duly qualified and experienced internal audit professional, develops an internal audit program for the Company to ensure that the internal control and procedures of the Company are in place by undertaking periodical and concurrent review of the business transactions carried out at different departments and offices of the Company. And reporting findings to Audit Committee detailing its observations and suggestions (wherever necessary) to improve systems and procedures of the Company.



The Company's Internal Control Department structure has following roles:

- Mr. Hassan Saleem is appointed as Head of Internal Audit and Compliance Department since 2016. (*Associate Chartered Certified Accountant-UK, Bachelor of Science (hons) in Applied Accounting from Oxford Brookes University-UK, Certified Accounting Technician-UK, Advanced Diploma in Business and Accounting-UK*). A competent professional with more than 8 years of experience in Auditing operations, Risk Management and in Compliance.

On 3/11/2016, pursuant to Article (51) of the Chairman of Securities and Commodities Authority's Resolution No. (7/R.M) of 2016 concerning the Standards of Corporate Discipline and Governance of Public Shareholding Companies, the Company appointed the head of the internal control department, Mr. Hassan Saleem, as an independent compliance officer to verify the Company and its employees compliance with the laws and the regulations in force in the Country. He has the qualifications and experience mentioned in item above.

- In the event of an emergency, a major problem or such a major problem is mentioned within the reports and annual accounts, the Internal Control Department shall identify such a problem or an emergency or assess its impact on the Company and call the Audit Committee for an urgent meeting to discuss this problem and its causes, methods of treatment, how to mitigate its effects and the measures to prevent the aggravation and recurrence of the problem in the future and make recommendations to the Board of Directors for appropriate decision.
- In this regard "Three" Internal Audit reports are issued to Audit Committee and relevant presentation are given to board members. The Company has not experienced any major problem during 2020.
- Codes of Conduct are in place for staff members of the Company to ensure that level of service the company expects to deliver to its customers is achieved and to maintain highest standards of work culture. And all staff members of the Company are fully aware of all administrative rules within the Company.
- Detailed operating manuals and policies of all underwriting, claims and other functional departments of the Company are followed by every department.
- All activities of the Company are computerized with special focus to update and improve computer system in use as to satisfy Company needs and serve its clients efficiently.

#### Details of Non-Compliance by the Company/Violations:

A sum of multiple penalties amounted AED 2,000 imposed by Insurance Authority, other than that Al Dhafra Insurance has not violated nor breached any regulatory rules and regulations for the year 2020.




### Corporate Social Responsibility and Environment Sustainability:

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#### 1) Ethical Conduct

We strive to conduct business with honesty, integrity and respect for all our clients.

#### 2) Environment Protection

For 2020, the company continuously adheres to protecting the environment by promoting an awareness “greener” business like encouraging staff to restrict printing if it can be kept on screen “Think GREEN before printing this email 

#### 3) Employee Care

We seek to maintain a healthy work environment by ensuring the safety and wellbeing of our employees and providing a fulfilling & rewarding career for all.

We also strongly support nationalization through secession planning, training and career development.

In recent years, we have continued to refine our employee offering and implement initiatives that meet business needs in the most efficient and effective manner. These includes a new portfolio of globally accredited training courses and an impressive array of employee benefits.

#### 4) Training for UAE Nationals

ADIC believes that ‘On the Job Training’ for Emiratis will make them more competent than outside class room training and in On Job Training Emirati employees will be directly inducted by Dept. heads having intense experience and knowledge in their respective are of work. Under direct supervisor of Dept. heads employee will get more confidence in their work as well as trainer can guide them towards results with proper feedback.

We are also encouraging our Emirati staff to attend training programs, workshops conducted by Insurance Authority and Emirates Institute for Banking and Financial Studies.



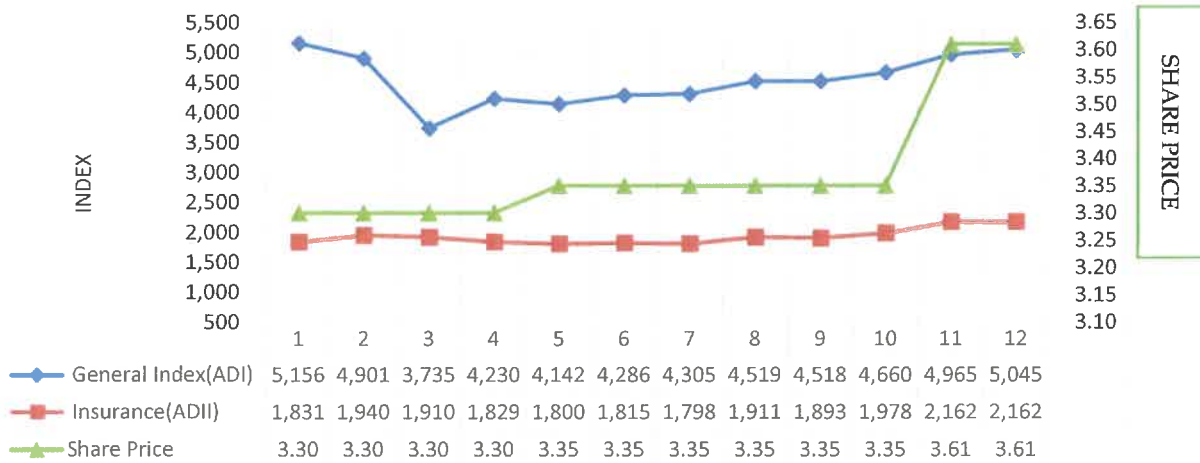


General Information:

- Share price at the market (high/low) at the end of each month of the year 2020:

Month	High	Low	Closing
January	AED 3.30	AED 3.06	AED 3.30
February	AED 3.30	AED 3.06	AED 3.30
March	AED 3.30	AED 3.06	AED 3.30
April	AED 3.30	AED 3.06	AED 3.30
May	AED 3.35	AED 3.35	AED 3.35
June	AED 3.35	AED 3.35	AED 3.35
July	AED 3.35	AED 3.35	AED 3.35
August	AED 3.35	AED 3.35	AED 3.35
September	AED 3.35	AED 3.35	AED 3.35
October	AED 3.35	AED 3.35	AED 3.35
November	AED 3.61	AED 3.61	AED 3.61
December	AED 3.61	AED 3.61	AED 3.61

Comparison of the share volume performance with the market index and Insurance Industry Index



\*(Source ADX Website)

39.72 % of shares are being held by 11 corporate shareholders and 60.28% of shares held by individual shareholders as at 31<sup>st</sup> December 2020; all shareholders are either UAE Nationals or companies established in UAE.As shown in table (1):

Table No. ( 1 ):

Ser.	Shareholder Classification	Shareholding (%)			Total
		Individuals	Corporations	Governments	
1	Local	60.28	39.72	-	100
2	Arabic	-	-	-	
3	Foreign	-	-	-	
	Total	60.28	39.72	-	100



Al Dhafra shares are held by UAE nationals and companies. Shareholding Pattern (Individuals, Companies, Government) & Major Shareholders who hold more than 5% of Capital. As shown in table No. (2).

Table No. (2):

Name of the Company /Individual	Shareholder type	% Holding
Ghobash Trading	Company	20.65%
H.H Aisha Saeed Muhammad Al Dhahiri	Individual	13.17%
Ataya Masharea (LLC)	Company	6.59%
Mr. Saeed Ahmed Omran Al Mazroui	Individual	6.00%
Masaa Company	Company	5.83%

39.72% of the company's shares are owned by 11 corporate shareholders and 60.28% are held by individual shareholders as at 31 December 2020. All shareholders are UAE nationals or companies established in the UAE. The chart structure to contribute to the company as in Table (3):

Table No. (3):

Share Holding	No. of Shareholder	No. Shares Held	Holding Percentage
Shares Less than 50,000	82	1,025,025	1.09%
Shares from 50,000 but less than 500,000	40	9,043,357	9.04%
Shares From 500,000 but Less than 5,000,000	23	37,674,125	37.67%
Shares from 5,000,000 and above	5	52,257,493	52.26%
GRAND TOTAL	150	100,000,000	100%

### Investor Relation Officer:

Company designated an employee as Investor Relation officer and his name and contact details are update in company website. Company has opened a page in Arabic format on company website dealing with matters of interest to investors and updating the information regularly.

Name	Designation	Mobile No.	E-mail	Contact
Mohamed Ahmed El Nougjomi	Investor Relation Officer	055 561 61 69	<a href="mailto:investorsrelation@aldhafrainsurance.ae">investorsrelation@aldhafrainsurance.ae</a>	Ph.: 02-6949-409 Fax: 02-6729-833

<http://www.aldhafrainsurance.ae/investors-relation/contact-us/>

### Board Secretary:

She is responsible for relevant administrative tasks in addition to attending and recording Board Meetings.

Name	Designation	Date of Appointment	Qualification
Mahmoud Ezzat	Board Secretary & Committees	11 <sup>th</sup> September 2020	Masters of Law



### Main Responsibilities of the Board Secretary:

1. Prepare for Board Meetings
2. Prepare the Minutes of the Board Meetings.
3. Prepare for the Meeting of the Committees of the Board of Directors.
4. Prepare the minutes of the meetings of the committees of the Board of Directors
5. Follow – up for Signatures of the Minutes and provide Members with Signed Copies.
6. Follow – up the Implementation of Decisions Issued by the Board of Directors.

### Major Events the company had during the year 2020:

There were no major events during the year.

### Emiratization:

The Al Dhafra Insurance Company is highly committed to the Emiratization drive and has been recruiting UAE Nationals of the highest caliber and supporting them with a successful professional career path plan over the years.

The Al Dhafra Insurance Company has a diverse range of career options and training opportunities which identifies local talent, nurtures and rewards them through training, mentorship and professional development to ensure the active promotion of UAE nationals with attractive remuneration packages. The table below shows the number of local staff within our company at the end of 2020.

Emiratization Percentage in 2018	Emiratization Percentage in 2019	Emiratization Percentage in 2020
7%	6%	7%

### Special resolutions before the general assembly held during 2020:

No special resolutions were presented to the General Assembly held on 17/03/2020.



Statement of innovative projects and initiatives:

The latest new computer system ( IIRIS ) has been completed and tested at the end of December 2020, and will be operational in early January 2021.

Signature of the Chairman of the Board of Directors

Date : 09/02/2021

Signature of the Chairman of the Audit Committee

Date : 09/02/2021

Signature of the Chairman of the Nomination and Remuneration Committee

Date : 09/02/2021

Head of Internal Audit Department

Date : 09/02/2021



Company Official Seal

**Al Dhafra Insurance Company (P.S.C.)**

**BOARD OF DIRECTORS' REPORT AND  
FINANCIAL STATEMENTS**

For the year ended 31 December 2020



**Al Dhafra Insurance Company (P.S.C.)  
Audited Financial Statements**

**For the year ended 31 December 2020**

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**Composition of Board of Directors**

<b>Chairman:</b>	H.E. Sheikh Mohamed Bin Sultan Bin Soroor Al Dhahiry
<b>Deputy Chairman:</b>	H.E. Yousef Bin Mohamad Ali Nasser Al Nowais
<b>Directors:</b>	H.E. Sh. Ahmed Moh'd Sultan Suroor Al Dhahiri Mr. Rashid Saeed Ahmad Saeed Ghobash H.E. Sh. Sultan Saeed Sultan Surour Al Dhahiri H.E. Saif Mubarak Saif Al Riyami H.E. Saif Saeed Ahmed Saeed Ghobash Mr. Mohamed Saeed Ahmed Omran Al Mazrouei Mr. Mohamed Hussain Jasim Naser Al Nowais
<b>General Manager</b>	Mr. Kamal Sartawi
<b>Address:</b>	P.O. Box 319 Abu Dhabi United Arab Emirates
<b>External auditors:</b>	Grant Thornton Middle East

**Al Dhafra Insurance Company (P.S.C.)  
Audited Financial Statements**

**For the year ended 31 December 2020**

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THE BOARD OF DIRECTORS' 41<sup>th</sup> ANNUAL REPORT  
FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of Al Dhafra Insurance Company P.S.C. (the "Company") and present to you the 41<sup>th</sup> Annual Report regarding the business activities of the Company during 2020 as well as the financial statements for the year ended 31<sup>st</sup> December 2020 along with Auditor's Report.

At the outset, the Board of Directors would like to express their appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates and His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their continuous limitless support and patronage for National institutions and Companies. All credits for the progress and stability achieved by the Country go to our wise leadership.

The year under report was an unprecedented year in the history of the company with the pandemic ravaging economic activity globally and forced several restrictions on the way business were set to function. Despite this formidable challenges faced, your company managed to maintain its distinguished performance through the dedicated, loyal and hardworking team of Al Dhafra Insurance Company at all levels who could do everything to reduce negative impact of the pandemic.

Company continues its strong position in the market in terms of technical results, net profit, EPS, ROI which is the result of balanced, long term business model and prudent investment strategy adopted by the Company in the volatile global and regional economic scenario.



We give here below summary of various aspects of the balance sheet

Gross and Net premium

=====

The gross premium written for the year ended 31 December 2020 amounted to AED 289,773,699 (2019: AED 323,786,185), depicting a decrease of (10.51 %).

The net retained premium for the year ended 31 December 2020 amounted to AED 73,424,255 (2019: AED 87,924,794), depicting a decrease of (16.49 %).

Gross and Net claims

=====

The gross claims paid by the Company during the year amounted to AED 140,990,838 (2019: AED 168,831,958), depicting a decrease of (16.49 %).

Net claims paid during the year amounted to AED 28,071,930 (2019: AED 42,716,392), depicting a decrease of (34.28 %).

Technical Provisions

=====

The net technical provisions (excluding deferred acquisition costs and unearned commission income) at 31 December 2020 amounted to AED 93,767,927 (2019: AED 101,297,258).

The net technical provision for the current year is hence 128 % of the retained premium (2019: 115%).



Figures relating to Different classes of Insurance

=====

Gross written Premiums	2020 (AED)	2019 (AED)
Marine	58,796,862	62,235,279
Other classes of business	230,976,837	261,550,906
Total	289,773,699	323,786,185
Gross Paid Claims	2020 (AED)	2019 (AED)
Marine	22,017,312	4,453,131
Other classes of business	118,973,526	164,378,827
Total	140,990,838	168,831,958
Net Technical Provisions	2020 (AED)	2019 (AED)
Marine	3,780,348	5,455,721
Other classes of business	89,987,579	95,841,537
Total	93,767,927	101,297,258

Investments:

=====

The total investments including investment properties of the Company stand at AED 276,505,223 as at 31 December 2020 (2019: AED 299,693,220), showing a decrease of (7.74 %). Decrease is attributable to the fluctuation in market value.

It is worth mentioning that most of the investments of company are within the U.A.E. The Company has no investments in United States of America or in Europe and all available cash are deposited in the banks within the U.A.E.



General, administrative and other operating expenses:  
=====

The general, administrative and other expenses for the year amounted to AED 41,917,957 (2019: AED 45,031,839), depicting a decrease of (6.91 %).

Profits for the year  
=====

The profit of the Company from insurance and investment activities for the year under review is AED 54,795,358 (2019: AED 71,098,034), showing a decrease of (22.93 %).

The Company's branches and offices  
=====

The Company has branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Baniyas, Musaffah, and in the Traffic Department of Abu Dhabi in addition to branches in Dubai and Sharjah.

Distribution of profit  
=====

The net profit for the year of AED 54,795,358 achieved by the Company with the retained profit from the previous years amounted to a distributable income of AED 118,417,671. We recommend appropriation of the above profit as follows:

Details of Appropriation	AED
- To be distributed as cash dividend	40,000,000
- Board of Directors Remuneration	4,500,000
- To be carried forwarded to the subsequent year	73,917,671

Plan for the year 2020  
=====

- Company will continue its efforts to maintain its performance irrespective of the ongoing pandemic induced economic scenario.



Recommendations of Board of Directors to Shareholders:

The Board of Directors is pleased to present the following recommendations to the Ordinary General Assembly of the Shareholders of the Company for their approval.

1. Listen to and approve the Board of Director's Report on the Company's activity and its financial position for the fiscal year ended 31/12/2020.
2. Listen to and approve the Auditor's Report for the fiscal year ended on 31/12/2020.
3. Discuss and approve the Company's balance sheet and profit and loss account for the fiscal year ended on 31/12/2020.
4. Consider the Board of Director's proposals concerning the distribution of profits by 40 % of the nominal value of the share as a cash dividend of AED 40 million. At 40 fils per share.
5. Approve a proposal concerning the remuneration of the members of the Board of Director's.
6. Discharge the members of the Board of Directors for the fiscal year ended on 31/12/2020, or remove them and file a liability action against them, as the case may be.
7. Discharge the auditors for the fiscal year ended 31/12/2020, or remove them and file a liability action against them, as the case may be.
8. Appoint the auditors for the year 2021 and determine their fees.

Conclusion:

The Board of Directors would like to praise Company's clients, reinsurance companies and brokers for their strong support and confidence in the Company and also the persistent efforts of the management and staff of the Company who did their best to serve the Company.

On behalf of the Board of Directors,

Chairman



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United Arab Emirates**  
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**Independent Auditor's Report  
To the Shareholders of Al Dhafra Insurance Company P.S.C.**

**Report on the Financial Statements**

**Opinion**

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

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

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISA). 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), and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2020. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**i) Valuation of technical provisions**

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

**Independent Auditor's Report  
To the Shareholders of Al Dhafra Insurance Company P.S.C.**

**Report on the Financial Statements (continued)**

**Key Audit Matters (continued)**

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

- We have obtained the report prepared by the independent actuary which was appointed by the Company.
- We involved our actuarial specialists to assist us in performing the audit procedures in this area, which included amongst others, review of methodology, data used as input, and estimates and judgements used in the Actuary's valuation.
- We have assessed the Actuary's independence, expertise and qualifications and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

ii) **Revenue recognition**

Gross premiums comprise the total premium receivable for the whole period of cover by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of net retained premiums is provided for as an unearned premium reserve to cover portions of risk that have not expired at the reporting date. The reserve is required to be calculated in accordance with the requirements of the UAE Insurance Law relating to insurance companies.

We assessed management's calculation of gross premiums amounting to AED 289,773,699 and net unearned premium reserve amounting to AED 36,658,958 (note 11) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premium on policies are accounted for on the date of inception of policies, by testing a sample of revenue items to policy contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premium reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated the unearned premium reserve based on the earning period of policy contracts existing as of 31 December 2020.

**Other Information**

Management is responsible for the other information contained in the financial statements which comprises the information included in the *Board of Director's Report*, but which does not include the financial statements and our auditors' report thereon.

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



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**Independent Auditor's Report  
To the Shareholders of Al Dhafra Insurance Company P.S.C.**

**Report on the Financial Statements (continued)**

**Other Information (continued)**

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. 2 of 2015 and UAE 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 ISA 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 ISA, 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.



**Independent Auditor's Report  
To the Shareholders of Al Dhafra Insurance Company P.S.C.**

**Report on the Financial Statements (continued)**

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

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

- i) we have obtained all the information and explanations we considered necessary for the purposes of our audit;
- ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. 2 of 2015;

**Independent Auditor's Report  
To the Shareholders of Al Dhafra Insurance Company P.S.C.**

**Report on Other Legal and Regulatory Requirements (continued)**

- iii) the Company has maintained proper books of account;
- iv) the financial information included in the Board of Director's Report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;
- v) as disclosed in note 8 and 9 to the financial statements, the Company has sold certain shares during the year ended 31 December 2020;
- vi) note 13 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and
- vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the Federal Law No. 6 of 2007 on the Establishment of the Insurance Authority and Organization of the Insurance Operations and UAE Federal Law No. 2 of 2015 or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2020;

*Grant Thornton*

**GRANT THORNTON**  
Farouk Mohamed  
Registration No: 86  
Abu Dhabi, United Arab Emirates  
Date: 9 February 2021



**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

**Statement of Financial Position**  
**As at 31 December 2020**

	Notes	2020 AED	2019 AED
<b>ASSETS</b>			
Property and equipment	3	1,534,096	1,985,244
Intangible assets	4	3,817,779	1,253,615
Right-of-use-assets	5	5,312,243	8,101,123
Investment properties	6	65,812,225	65,812,225
Statutory deposits	7	9,980,000	9,980,000
Investments carried at fair value through other comprehensive income	8	170,556,736	190,053,996
Investments carried at fair value through profit and loss	9	40,136,262	43,826,999
Insurance balances receivable	10	106,329,866	116,875,552
Deferred acquisitions costs		16,432,759	15,510,242
Reinsurer's share of unearned premium reserve	11	85,530,265	98,900,552
Reinsurer's share of outstanding claims reserves	11	134,554,763	130,648,879
Reinsurer's share of claims incurred but not reported reserve	11	44,274,346	37,391,660
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	11	-	591,565
Prepayments and other receivables	10	7,800,394	6,110,522
Deposits	12	183,208,101	104,367,554
Cash and cash equivalents	12	98,881,191	193,071,447
<b>TOTAL ASSETS</b>		<b>974,161,026</b>	<b>1,024,481,175</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	14	100,000,000	100,000,000
Legal reserve	15	50,000,000	50,000,000
General reserve	15	145,000,000	145,000,000
Investment revaluation reserve	15	(20,696,624)	(5,276,307)
Reinsurance reserve	15	1,101,777	-
Retained earnings		113,917,671	101,749,453
<b>TOTAL EQUITY</b>		<b>389,322,824</b>	<b>391,473,146</b>
<b>LIABILITIES</b>			
Provision for employees' end of service benefits	16	8,341,652	7,915,825
Lease liabilities	5	4,872,807	7,669,571
Insurance payables	17	168,494,390	193,864,669
Other payables	17	23,154,394	29,988,056
Unearned commission income		21,847,658	24,739,994
Technical provisions			
Unearned premium reserve	11	122,189,223	138,792,481
Outstanding claims reserve	11	161,604,927	161,984,266
Claims incurred but not reported reserve	11	68,798,559	61,124,793
Unallocated loss adjustment expense reserve	11	4,488,031	4,263,508
Unexpired risk reserve (premium deficiency reserve)	11	1,046,561	2,664,866
<b>TOTAL LIABILITIES</b>		<b>584,838,202</b>	<b>633,008,029</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>974,161,026</b>	<b>1,024,481,175</b>

These financial statements were approved by the Board of Directors on 9 February 2021 and signed on their behalf by:

  
Assistant General Manager - Finance

  
General Manager

  
Board member

The accompanying notes from 1 to 31 form an integral part of these financial statements.



**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

**Statement of income**  
**For the year ended 31 December 2020**

	Notes	2020 AED	2019 AED
Gross premiums written	20	289,773,699	323,786,185
Reinsurance premium ceded	20	(216,349,444)	(235,861,391)
<b>Net premium</b>	20	<b>73,424,255</b>	<b>87,924,794</b>
Net change in unearned premium		3,232,971	5,282,726
<b>Net premium earned</b>		<b>76,657,226</b>	<b>93,207,520</b>
Commission earned		56,613,948	62,445,212
Commission incurred		(34,674,362)	(36,988,639)
<b>Gross underwriting income</b>		<b>98,596,812</b>	<b>118,664,093</b>
Gross claims paid	21	(140,990,838)	(168,831,958)
Reinsurance share of claims paid	21	112,918,908	126,115,566
<b>Net claims paid</b>	21	<b>(28,071,930)</b>	<b>(42,716,392)</b>
Change in outstanding claims reserve		379,339	4,080,530
Change in reinsurer's share of outstanding claims reserve		3,905,884	9,025,260
Change in claims incurred but not reported reserve, net		(791,080)	1,334,557
Change in unexpired risk reserve – net		1,026,740	(2,073,301)
Change in unallocated loss adjustment expense reserve		(224,523)	157,688
<b>Net claims incurred</b>		<b>(23,775,570)</b>	<b>(30,191,658)</b>
<b>Underwriting income</b>		<b>74,821,242</b>	<b>88,472,435</b>
Other income relating to underwriting		5,102,387	1,674,914
General and administrative expenses relating to underwriting	23	(2,453,810)	(4,887,936)
<b>Net underwriting income</b>		<b>77,469,819</b>	<b>85,259,413</b>
Income from investments	22	14,853,466	23,668,549
Income from investment properties (rental income)	6	1,923,157	2,290,808
Other income, net		13,063	23,167
<b>Total income</b>		<b>94,259,505</b>	<b>111,241,937</b>
General and administrative expenses	23	(39,202,529)	(39,767,637)
Finance cost		(261,618)	(376,266)
<b>PROFIT FOR THE YEAR</b>		<b>54,795,358</b>	<b>71,098,034</b>
Basic and diluted earnings per share	19	0.55	0.71

The accompanying notes from 1 to 31 form an integral part of these financial statements.

**Al Dhafra Insurance Company (P.S.C.)  
Financial Statements**

**Statement of comprehensive income  
For the year ended 31 December 2020**

	Note	2020 AED	2019 AED
Profit for the year		54,795,358	71,098,034
<b>Other comprehensive income/ (loss)</b>			
<i>Items that will not be reclassified to statement of income:</i>			
Gain on sale of investments carried at fair value through other comprehensive income		209,120	-
Change in fair value relating to investments carried at fair value through other comprehensive income	8	(17,154,800)	5,122,104
<b>Other comprehensive (loss) / income for the year</b>		<b>(16,945,680)</b>	<b>5,122,104</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>37,849,678</b>	<b>76,220,138</b>

The accompanying notes from 1 to 31 form an integral part of these financial statements.

**Al Dhafra Insurance Company (P.S.C.)  
Financial Statements**

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

	Share capital AED	Legal reserve AED	General reserve AED	Investment revaluation reserve AED	Reinsurance reserve AED	Retained earnings AED	Total equity AED
Balance as at 1 January 2019	100,000,000	50,000,000	145,000,000	(9,603,042)	-	64,856,050	350,253,008
Net profit for the year	-	-	-	-	-	71,098,034	71,098,034
Other comprehensive income for the year	-	-	-	5,122,104	-	-	5,122,104
Total comprehensive income for the year	-	-	-	5,122,104	-	71,098,034	76,220,138
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	(795,369)	-	795,369	-
Dividends declared and paid	-	-	-	-	-	(35,000,000)	(35,000,000)
Balance as at 31 December 2019	100,000,000	50,000,000	145,000,000	(5,276,307)	-	101,749,453	391,473,146
Balance as at 1 January 2020	100,000,000	50,000,000	145,000,000	(5,276,307)	-	101,749,453	391,473,146
Net profit for the year	-	-	-	-	-	54,795,358	54,795,358
Other comprehensive loss for the year	-	-	-	(16,945,680)	-	-	(16,945,680)
Total comprehensive income for the year	-	-	-	(16,945,680)	-	54,795,358	37,849,678
Dividends declared and paid	-	-	-	-	-	(40,000,000)	(40,000,000)
Transfer to reinsurance reserve	-	-	-	-	1,101,777	(1,101,777)	-
Transfer of cumulative unrealized loss to retained earnings on disposal of equity investments carried at FVOCI	-	-	-	1,525,363	-	(1,525,363)	-
Balance as at 31 December 2020	100,000,000	50,000,000	145,000,000	(20,696,624)	1,101,777	113,917,671	389,322,824

The accompanying notes from 1 to 31 form an integral part of these financial statements.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

**Statement of cashflows**  
**For the year ended 31 December 2020**

	Notes	31 December 2020 AED	31 December 2019 AED
<b>OPERATING ACTIVITIES</b>			
Profit for the year		54,795,358	71,098,034
Adjustments for:			
Unearned premium and unexpired risk reserve, net		(4,259,711)	(3,209,425)
Change in outstanding claims and claims incurred but not reported reserves		7,518,950	(11,904,892)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		(10,788,570)	(2,693,143)
Reversal of expected credit loss on insurance receivable	10	(82,419)	-
Change in fair value of investments carried at fair value through profit or loss	9, 22	2,149,122	(1,095,013)
Gain on disposal of investments carried at fair value through profit or loss	22	(137,625)	(1,502,289)
Provision for employees' end of service benefits	16	538,825	553,404
Depreciation of property and equipment and right-of-use asset	23	1,806,268	2,010,646
Amortisation of intangible assets	4, 23	766,671	521,722
Finance cost		261,618	376,266
Gain on termination of lease contract		(107,710)	-
Gain on disposal of property and equipment		(12,490)	(23,167)
Dividend income	22	(9,563,163)	(10,636,145)
Interest income	22	(7,303,512)	(10,459,200)
		<u>35,581,612</u>	<u>33,036,798</u>
Working capital changes:			
Insurance receivable, other receivables and prepayments		9,954,750	(16,286,210)
Insurance and other payables		(32,203,941)	10,736,158
Deferred acquisition costs		(922,517)	1,464,417
Unearned commission income		(2,892,336)	(3,239,879)
		<u>9,517,568</u>	<u>25,711,284</u>
Cash generated from operations		9,517,568	25,711,284
Employees' end of service benefits paid	16	(112,998)	(186,452)
Net cash generated from operating activities		<u>9,404,570</u>	<u>25,524,832</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of property and equipment	3	(331,522)	(1,460,367)
Proceeds from disposal of property and equipment		13,063	23,167
Purchase of intangible assets	4	(3,330,835)	(681,305)
Purchase of Investments carried at fair value through profit or loss		-	(90,058)
Proceeds from disposal of investment carried at fair value through profit and loss		1,679,240	48,520,528
Proceeds from disposal of investment carried at fair value through other comprehensive income		2,551,580	(581,502)
Additional placement in term deposits		(78,840,547)	120,354,902
Interest received		6,286,994	10,459,200
Dividends received		9,563,163	10,636,145
Net cash (used in)/ generated from investing activities		<u>(62,408,864)</u>	<u>187,180,710</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid	14	(40,000,000)	(35,000,000)
Lease liability instalment paid		(1,185,962)	(1,680,544)
Net cash used in financing activities		<u>(41,185,962)</u>	<u>(36,680,544)</u>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(94,190,256)</b>	<b>176,024,998</b>
Cash and cash equivalents at the beginning of the year		193,071,447	17,046,449
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	12	<b><u>98,881,191</u></b>	<b><u>193,071,447</u></b>

The accompanying notes from 1 to 31 form an integral part of these financial statements.

**Al Dhafra Insurance Company (P.S.C.)  
Financial Statements**

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

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**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Al Dhafra Insurance Company (P.S.C.) (the "Company"), is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

The financial statements of the Company for the year ended 31 December 2020 have been authorised for issuance in accordance with a resolution of the Board of Directors on 9 February 2021.

**2 GENERAL INFORMATION**

**2.1 BASIS OF PREPARATION**

The financial statements are prepared under the historical cost convention as modified for investment properties and certain financial instruments that are measured at fair values as at the end of each reporting date.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies which has come into effect from 1 July 2015 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional currency of the Company.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 25.



**Al Dhafra Insurance Company (P.S.C.)  
Financial Statements**

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

**2 GENERAL INFORMATION (continued)**

**2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS**

**Standards, interpretations and amendments to existing standards that are effective in 2020**

In the current period, the Company has applied the following amendments to IFRSs issued by the International Accounting Standards Board (“IASB”) that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The application of these amendments to IFRSs has not had any material impact on the amounts reported for the current and prior periods but may affect the accounting for the Company’s future transactions or arrangements.

- Amendments to References to the Conceptual Framework in IFRS Standards.
- Amendment to IFRS 3 regarding the definition of business.
- Amendment to IFRS 7, IFRS 9 and IAS 39 regarding the interest rate benchmark reforms.
- Amendments to IAS 1 and IAS 8 regarding the definition of materiality.
- Amendments to IFRS 16 regarding Covid-19 related rent concession.

These amendments do not have a significant impact on these financial statements and therefore the disclosures have not been made.

**Standards and interpretations in issue but not yet effective and has not been adopted early by the Company**

<b>New standards and revised IFRSs not yet effective and has not been adopted early by the Company</b>	<b>Effective date</b>
Amendments to IAS 1 to address classification of liabilities as current or non-current providing a more general approach based on the contractual arrangements in place at the reporting date.	1 January 2022
Amendments to IAS 16 ‘Property, Plant and Equipment’ regarding proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended by management.	1 January 2022
Amendments to IAS 37 amending the standard regarding costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.	1 January 2022
Amendments to IFRS 3 ‘Business Combinations’ that update an outdated reference in IFRS 3 without significantly changing its requirements	1 January 2022
Annual improvements to IFRS Standards 2018–2020	1 January 2022
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 to its associate or joint venture	Effective date deferred indefinitely. Adoption is still permitted.

Management anticipates that these amendments will be adopted in the financial information in the initial period when they become mandatorily effective. The impact of these standards and amendments is currently being assessed by the management.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2 GENERAL INFORMATION (continued)**

**2.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS (CONTINUED)**

**Standards and interpretations in issue but not yet effective and has not been adopted early by the Company (continued)**

<b>Standard number</b>	<b>Title</b>	<b>Effective date</b>
IFRS 17	Insurance Contracts	1 January 2023

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e. life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company plans to adopt the standard on the required effective date and is currently evaluating the expected impact.

**2.3 SIGNIFICANT ACCOUNTING POLICIES**

**Financial assets**

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and insurance balances receivable)
- b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- d) Financial assets at fair value through profit or loss

*Cash and cash equivalents*

Cash and cash equivalents which include cash on hand, cash at banks and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

*Financial assets at amortised cost*

The Company measures financial assets at amortised cost if both of the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

*Financial assets designated at fair value through OCI*

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

*Financial assets at fair value through profit or loss (continued)*

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of income when the right of payment has been established.

*Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, insurance receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For insurance receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 240 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

*Derecognition*

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset.

**Receivables and payables related to insurance contracts**

Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration receivable/payable. Subsequent to initial recognition, insurance receivables and payables are measured at amortised cost, using the Effective Interest Rate ("EIR") method. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- a) There is a currently enforceable legal right to offset the recognised amounts; and
- b) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**Fair value measurement**

The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

**Al Dhafra Insurance Company (P.S.C.)  
Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

**Fair value measurement (continued)**

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 26.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

**Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Financial assets (continued)**

**Impairment of non-financial assets (continued)**

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

**Insurance contracts**

*Classification*

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only 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 occurrence of the insured event as compared to the non - occurrence. 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.

*Premiums*

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

*Unearned premium reserve*

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premium reserve is calculated as follows

- For marine cargo line of business, it is assumed that each policy is earned fully in the quarter following the quarter in which it was written. Hence the total unearned premium reserve at the end of a particular quarter will be equal to the written premium in that quarter;
- For engineering line of business, it is assumed that the pattern of risk is non-uniform, and accordingly, premiums are allocated and earned on a daily increasing basis over the term of policy period. The unearned premium reserve is calculated as the sum of earned premiums across all months after the valuation date; and
- For the remaining lines of businesses, the premiums are assumed to be earned evenly over time and the unearned premium reserve is calculated on a daily pro rata basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Insurance contracts continued**

*Unexpired risk reserve*

Unexpired risk reserve represent the portion of the premium subsequent to the reporting date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

*Provision for premium deficiency / liability adequacy test*

Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position 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. This reserve is recorded under the heading of unearned premium reserve in the financial statements.

*Claims*

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 expenses 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.

*Reinsurance*

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 at each statement of financial position date. 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 income in the period in which they are incurred.



**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Insurance contracts (continued)**

*Deferred acquisition cost and Unearned commission income*

At the end of each reporting period, portion of commission income and portion of commission expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

*Insurance contract liabilities*

Insurance contract liabilities include claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for unallocated loss adjustment expenses (ULAE).

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date, in addition for claims incurred but not reported.

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. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

The liability relating to IBNR, IBNER, ULAE and PDR reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

**Leases**

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*Company as a lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

*Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

**Al Dhafra Insurance Company (P.S.C.)**  
**Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Leases (continued)**

*Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

*Company as a lessor*

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**Finance cost**

Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method.

**Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	4 years
Motor vehicles	3 years
Computer equipment and accessories	5 years
Building	25 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

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Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Property and equipment (continued)**

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

**Intangible assets**

Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes purchase cost, together with any incidental expenses of acquisition. The amortisation charge is calculated so as to write off the cost of the intangible asset on a straight-line basis over the expected useful economic life of 6 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period with the effect of any changes in estimation accounted for on a prospective basis.

**Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Company holds investment properties which are disclosed in note 6.

**Revenue - non insurance**

Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

*Rental income*

Rental income from investment properties is recognised on a straight-line basis over the term of the lease and is stated net of related expenses.

*Interest income*

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

*Dividend income*

Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

*Investment income*

Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

*Realised and unrealised gain*

Net gains/losses on financial assets classified at fair value through profit or loss and fair value through other comprehensive income are described under the accounting policy for financial assets and liabilities.

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

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**2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Foreign currency**

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the statement of income.

**Provisions**

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

**Staff end of service benefits**

*Defined benefit plan*

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

*Defined contribution plan*

The Company pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (7) of 1999 for Pension and Social Security.

**Dividend**

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

**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements.

*Classification of investments*

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

**Al Dhafra Insurance Company (P.S.C.)  
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**Notes to the financial statements (continued)  
For the year ended 31 December 2020**

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**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

**Judgements (continued)**

*Classification of properties*

In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Company develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2 Inventories, IAS 16 Property, Plant and Equipment and IAS 40 Investment Property, and in particular, the intended usage of property as determined by management.

*Fair value of financial instruments*

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

*Determining the lease term of contracts with renewal options*

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

**Estimation uncertainty**

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

*Liability adequacy test*

The Company maintains a provision in respect of premium deficiency for the line of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that line of business at the reporting date. 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. The movement in the premium deficiency reserve (unexpired risk reserve) is recorded as an expense / income in profit or loss for the year.

*Leases - estimating the incremental borrowing rate*

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

**Al Dhafra Insurance Company (P.S.C.)  
Financial Statements**

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

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**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

**Estimation uncertainty (continued)**

*Provision for expected credit losses of insurance receivables*

The Company uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross insurance receivables were AED 130,173,447 (2019: AED 140,801,552) and the provision for expected credit losses was AED 23,843,581 (2019: AED 23,926,000). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the statement of income.

*Provision for unearned premium reserve and unexpired risk reserve*

Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 37,705,519 (2019: AED 41,965,230).

*Provision for incurred but not reported claims (IBNR)*

Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR), using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of IBNR reserve (net of related reinsurance asset) is AED 24,524,213 (2019: AED 23,733,133).

*Provision for outstanding claims*

Provision for outstanding claims include provision for ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims. ULAE reserves are estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ULAE reserves) is AED 31,538,195 (2019: AED 35,598,895).

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**Notes to the financial statements (continued)  
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**2.3 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)**

**Judgments (continued)**

*Reinsurance*

The Company is exposed to disputes with, and possibility of defaults by its reinsurer. The Company monitors on a monthly basis the evolution of disputes with and the strength of its reinsurer.

*Estimation of fair value of investment properties*

The fair value of investment properties is determined by independent real estate valuation consultants based on Discounted Cash Flow (DCF) and Investment Method of Valuation. The Investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at Fair Value. The DCF method calculates the net.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. There was no change in fair value recognised in the statement of income for the year (2019: NIL).

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

3	PROPERTY AND EQUIPMENT	Furniture and Fittings AED	Motor Vehicles AED	Computer Equipment and accessories AED	Total AED
	<b>Cost</b>				
	At 1 January 2019	2,852,892	862,100	2,376,976	6,091,968
	Additions during the year	206,068	588,233	666,066	1,460,367
	Disposals during the year	(63,095)	(48,900)	(124,653)	(236,648)
	At 31 December 2019	2,995,865	1,401,433	2,918,389	7,315,687
	Additions during the year	84,871	-	246,651	331,522
	Disposals during the year	(103,228)	-	(115,106)	(218,334)
	At 31 December 2020	<b>2,977,508</b>	<b>1,401,433</b>	<b>3,049,934</b>	<b>7,428,875</b>
	<b>Accumulated depreciation</b>				
	At 1 January 2019	2,630,865	741,032	1,555,133	4,927,030
	Charge for the year	193,580	74,957	371,524	640,061
	Disposals during the year	(63,095)	(48,900)	(124,653)	(236,648)
	At 31 December 2019	2,761,350	767,089	1,802,004	5,330,443
	Charge for the year	164,686	240,955	376,456	782,097
	Disposals during the year	(102,655)	-	(115,106)	(217,761)
	At 31 December 2020	<b>2,823,381</b>	<b>1,008,044</b>	<b>2,063,354</b>	<b>5,894,779</b>
	<b>Carrying amount</b>				
	As at 31 December 2020	<b>154,127</b>	<b>393,389</b>	<b>986,580</b>	<b>1,534,096</b>
	As at 31 December 2019	234,515	634,344	1,116,385	1,985,244



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

**4 INTANGIBLE ASSETS**

	Computer Software AED	Capital Work in Progress AED	Total AED
<b>Cost</b>			
Balance at 1 January 2020	6,550,357	-	6,550,357
Additions	1,384,675	1,946,160	3,330,835
Disposal	(45,845)	-	(45,845)
Balance at 31 December 2020	<u>7,889,187</u>	<u>1,946,160</u>	<u>9,835,347</u>
<b>Accumulated amortization</b>			
Balance at 1 January 2020	5,296,742	-	5,296,742
Amortization for the year	766,671	-	766,671
Disposal	(45,845)	-	(45,845)
Balance at 31 December 2020	<u>6,017,568</u>	<u>-</u>	<u>6,017,568</u>
<b>Carrying amount</b>	<u>1,871,619</u>	<u>1,946,160</u>	<u>3,817,779</u>
<b>Cost</b>			
Balance at 1 January 2019	7,318,653	-	7,318,653
Additions	681,305	-	681,305
Disposal	(1,449,601)	-	(1,449,601)
Balance at 31 December 2019	<u>6,550,357</u>	<u>-</u>	<u>6,550,357</u>
<b>Accumulated amortization</b>			
Balance at 1 January 2019	6,224,621	-	6,224,621
Amortization for the year	521,722	-	521,722
Disposal	(1,449,601)	-	(1,449,601)
Balance at 31 December 2019	<u>5,296,742</u>	<u>-</u>	<u>5,296,742</u>
<b>Carrying amount</b>	<u>1,253,615</u>	<u>-</u>	<u>1,253,615</u>

**5 LEASES**

The carrying amounts of the Company's right-of-use assets is as follows:

	2020 AED	2019 AED
<b>Cost</b>		
Balance at 1 January	9,471,708	9,471,708
Additions	398,250	-
Termination	(2,506,205)	-
Balance at 31 December	<u>7,363,753</u>	<u>9,471,708</u>
<b>Accumulated depreciation</b>		
Balance at 1 January	1,370,585	-
Depreciation for the year	1,024,171	1,370,585
Termination	(343,246)	-
Balance at 31 December	<u>2,051,510</u>	<u>1,370,585</u>
<b>Carrying amount</b>	<u>5,312,243</u>	<u>8,101,123</u>

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

**5 LEASES (continued)**

Lease liabilities is analysed in the statement of financial position as follows:

	2020 AED	2019 AED
Within one year	1,203,375	2,348,198
One to ten years	3,669,432	5,321,373
	<u>4,872,807</u>	<u>7,669,571</u>

**6 INVESTMENT PROPERTIES**

	Abu Dhabi Land and Building AED	Al Ain Land and Building AED	Total AED
Balance at 1 January 2019	55,089,680	10,722,545	65,812,225
Change in fair value	-	-	-
At 31 December 2019	<u>55,089,680</u>	<u>10,722,545</u>	<u>65,812,225</u>
Balance at 1 January 2020	55,089,680	10,722,545	65,812,225
Change in fair value	-	-	-
At 31 December 2020	<u>55,089,680</u>	<u>10,722,545</u>	<u>65,812,225</u>

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively.

The fair value of the Company's investment properties as at 31 December 2020 and 2019 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Company. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of investment properties is determined using market based approach and discounted cash flow (DCF) model.

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms. factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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**Notes to the financial statements (continued)**  
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**6 INVESTMENT PROPERTIES (continued)**

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<i>31 December 2020</i>				
Investment properties	-	38,000,000	27,812,225	65,812,225
<i>31 December 2019</i>				
Investment properties	-	38,000,000	27,812,225	65,812,225

There were no transfers between Level 1, Level 2 and Level 3 during current and previous year.

Following is the summary of valuation techniques and inputs used in the valuation of investment properties:

<u>Property</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>
Abu Dhabi and Al Ain buildings	Discounted cash flow (DCF)	<p>Estimated rental value per annum, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, as follows:</p> <ul style="list-style-type: none"> <li>• Abu Dhabi property AED 4,836,000; and</li> <li>• Al Ain property AED 1,020,000.</li> </ul> <p>Discount rate, taking into consideration the risk premium between prime and sub-prime properties and the capacity to earn rentals, range from 7%.</p>

The property rental income earned by the Company from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2020 AED	2019 AED
Rental income	2,848,885	3,093,575
Direct operating expenses	(925,728)	(802,767)
	<u>1,923,157</u>	<u>2,290,808</u>

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

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**7 STATUTORY DEPOSITS**

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

	2020 AED	2019 AED
Statutory deposit	10,000,000	10,000,000
Expected credit losses	(20,000)	(20,000)
	<u>9,980,000</u>	<u>9,980,000</u>

**8 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	2020 AED	2019 AED
Quoted UAE equity securities	<u>170,556,736</u>	<u>190,053,996</u>

The movement in the investments at fair value through other comprehensive income is as follows:

	2020 AED	2019 AED
Fair value at beginning of the year	190,053,996	184,350,390
Additions	-	5,124,729
Disposals	(2,342,460)	(4,543,227)
Change in fair value	(17,154,800)	5,122,104
Fair value at end of the year	<u>170,556,736</u>	<u>190,053,996</u>

**9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2020 AED	2019 AED
Quoted debt securities	16,584,183	16,674,536
Quoted UAE equity securities	16,723,343	19,149,724
Unquoted equity security	6,828,736	8,002,739
	<u>40,136,262</u>	<u>43,826,999</u>

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

**9 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS**  
(continued)

The movement in investments at fair value through profit or loss is as follows:

	2020 AED	2019 AED
Fair value at beginning of the year	43,826,999	89,660,167
Additions	-	591,966
Disposals	(1,541,615)	(47,520,147)
Change in fair value (note 22)	(2,149,122)	1,095,013
Fair value at end of the year	<u>40,136,262</u>	<u>43,826,999</u>

**10 INSURANCE BALANCES RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES**

	2020 AED	2019 AED
Due from policy holders	92,409,118	108,655,872
Due from policy holders - related parties (note 13)	641,565	137,393
Due from reinsurance companies	5,324,394	5,678,701
Due from insurance companies, broker and agents	<u>31,798,370</u>	<u>26,329,586</u>
	130,173,447	140,801,552
Less: allowance for impairment	<u>(23,843,581)</u>	<u>(23,926,000)</u>
Insurance balances receivable	106,329,866	116,875,552
Prepayments	1,271,331	1,170,645
Interest receivables	3,375,986	2,359,468
Other receivables	<u>3,153,077</u>	<u>2,580,409</u>
Prepayments and other receivables	7,800,394	6,110,522
	<u>114,130,260</u>	<u>122,986,074</u>

Receivables at nominal value of AED 23,843,581 (2019: AED 23,926,000) were impaired.

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Notes to the financial statements (continued)  
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**10 INSURANCE BALANCES RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES (continued)**

The movement in the allowance for impaired receivables is as follows:

	2020 AED	2019 AED
At 1 January	23,926,000	24,824,044
Charge for the year	-	-
Amount written off	(82,419)	(898,044)
At 31 December	<u>23,843,581</u>	<u>23,926,000</u>

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

As at 31 December, the ageing of insurance balances receivable is as follows:

	Total AED	0-180 days AED	180-240 days AED	>240 days AED
<b>31 December 2020</b>				
Expected credit loss rate		8.35%	1.62%	27.35%
Estimated total gross carrying amount at default	130,173,447	39,304,182	16,668,396	74,200,869
Expected credit loss	23,843,581	3,282,075	270,111	20,291,395
<b>31 December 2019</b>				
Expected credit loss rate		3.58%	4.03%	46.36%
Estimated total gross carrying amount at default	140,801,552	83,209,878	13,591,892	43,999,782
Expected credit loss	23,926,000	2,979,173	547,524	20,399,303

Geographical concentration of insurance balances receivable and its ageing are as follows:

	31 December 2020			31 December 2019		
	Inside UAE AED	Outside UAE AED	Total AED	Inside UAE AED	Outside UAE AED	Total AED
Due from policy holders	91,810,792	598,326	92,409,118	108,655,872	-	108,655,872
Due from policy holders - related parties	641,565	-	641,565	137,393	-	137,393
Due from reinsurance companies	2,185,459	3,138,935	5,324,394	1,990,729	3,687,972	5,678,701
Due from insurance companies, broker and agents	<u>30,253,338</u>	<u>1,545,032</u>	<u>31,798,370</u>	<u>25,145,898</u>	<u>1,183,688</u>	<u>26,329,586</u>
	124,891,154	5,282,293	130,173,447	135,929,892	4,871,660	140,801,552
Less: allowance for impairment	<u>(23,843,581)</u>	-	<u>(23,843,581)</u>	<u>(23,926,000)</u>	-	<u>(23,926,000)</u>
Net insurance balances receivable	<u>101,047,573</u>	<u>5,282,293</u>	<u>106,329,866</u>	<u>112,003,892</u>	<u>4,871,660</u>	<u>116,875,552</u>

**Al Dhafra Insurance Company (P.S.C.)**  
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**Notes to the financial statements (continued)**  
**For the year ended 31 December 2020**

**10 INSURANCE BALANCES RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES (continued)**

	31 December 2020			31 December 2019		
	Inside UAE AED	Outside UAE AED	Total AED	Inside UAE AED	Outside UAE AED	Total AED
0 to 180 days	36,312,481	2,991,700	39,304,181	54,769,057	1,236,288	56,005,345
181 to 365 days	32,022,085	60,273	32,082,358	31,866,066	1,197,703	33,063,769
More than 365 days	56,556,587	2,230,321	58,786,908	49,294,769	2,437,669	51,732,438
	<b>124,891,153</b>	<b>5,282,294</b>	<b>130,173,447</b>	<b>135,929,892</b>	<b>4,871,660</b>	<b>140,801,552</b>
Less: allowance for impairment	(23,843,581)	-	(23,843,581)	(23,926,000)	-	(23,926,000)
Net insurance balances receivable	<b>101,047,572</b>	<b>5,282,294</b>	<b>106,329,866</b>	<b>112,003,892</b>	<b>4,871,660</b>	<b>116,875,552</b>

**11 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS**

	2020 AED	2019 AED
<b>Insurance contract liabilities</b>		
Outstanding claims reserve	161,604,927	161,984,266
Claims incurred but not reported reserve	68,798,559	61,124,793
Unearned premiums reserve	122,189,223	138,792,481
Unallocated loss adjustment expense reserve	4,488,031	4,263,508
Unexpired risk reserve (premium deficiency reserve)	1,046,561	2,664,866
	<b>358,127,301</b>	<b>368,829,914</b>
<b>Reinsurance contract assets</b>		
Outstanding claims reserve	134,554,763	130,648,879
Claims incurred but not reported reserve	44,274,346	37,391,660
Unearned premiums reserve	85,530,265	98,900,552
Unexpired risk reserve (premium deficiency reserve)	-	591,565
	<b>264,359,374</b>	<b>267,532,656</b>
<b>Insurance liabilities – net</b>		
Outstanding claims reserve	27,050,164	31,335,387
Claims incurred but not reported reserve	24,524,213	23,733,133
Unearned premiums reserve	36,658,958	39,891,929
Unallocated loss adjustment expense reserve	4,488,031	4,263,508
Unexpired risk reserve (premium deficiency reserve)	1,046,561	2,073,301
	<b>93,767,927</b>	<b>101,297,258</b>

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**11 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)**

The reserves are allocated to the lines of business as follows:

	Outstanding claims reserve AED	Claims incurred but not reported reserve AED	Unearned premiums reserve AED	Unallocated loss adjustment reserve AED	Unexpired risk reserve AED	Total AED
<b>31 December 2020 (gross)</b>						
Motor	46,126,608	31,760,570	52,359,977	1,644,717	-	131,891,872
Fire	61,832,865	11,790,479	17,269,432	1,281,207	-	92,173,983
Medical	8,229,941	5,525,067	19,717,720	289,201	996,732	34,758,661
Engineering	18,968,912	4,028,934	12,500,620	405,402	-	35,903,868
Marine	20,343,243	11,630,003	16,844,087	654,049	-	49,471,382
Workman compensation and third-party liability	3,110,777	2,791,091	3,054,962	130,394	-	9,087,224
Other lines of business	2,992,581	1,272,415	442,425	83,061	49,829	4,840,311
	<b>161,604,927</b>	<b>68,798,559</b>	<b>122,189,223</b>	<b>4,488,031</b>	<b>1,046,561</b>	<b>358,127,301</b>
<b>31 December 2019 (gross)</b>						
Motor	59,175,303	28,606,269	67,312,780	1,745,817	-	156,840,169
Fire	44,181,147	9,394,655	15,145,141	944,557	-	69,665,500
Medical	8,655,232	5,924,369	17,394,357	307,560	2,383,291	34,664,809
Engineering	14,984,403	4,548,333	17,239,509	361,216	-	37,133,461
Marine	26,189,815	8,626,494	17,474,795	651,642	175,596	53,118,342
Workman compensation and third-party liability	5,154,612	2,771,781	3,434,305	160,473	-	11,521,171
Other lines of business	3,643,754	1,252,892	791,594	92,243	105,979	5,886,462
	<b>161,984,266</b>	<b>61,124,793</b>	<b>138,792,481</b>	<b>4,263,508</b>	<b>2,664,866</b>	<b>368,829,914</b>

Movement in the insurance contract liabilities and reinsurance contract assets during the year are as follows:

	31 December 2020			31 December 2019		
	Gross AED	Reinsurance AED	Total AED	Gross AED	Reinsurance AED	Net AED
<b>Claims:</b>						
Outstanding claims (including ULAE)	166,247,774	130,648,879	35,598,895	170,485,992	121,623,619	48,862,373
Incurred but not reported	61,124,793	37,391,660	23,733,133	68,791,467	43,723,777	25,067,690
<b>Total at 1 January</b>	<b>227,372,567</b>	<b>168,040,539</b>	<b>59,332,028</b>	<b>239,277,459</b>	<b>165,347,396</b>	<b>73,930,063</b>
Claims settled	(140,990,838)	(112,918,908)	(28,071,930)	(168,831,958)	(126,115,566)	(42,716,392)
Increase in liabilities	148,509,788	123,707,478	24,802,310	156,927,066	128,808,709	28,118,357
<b>Total at 31 December</b>	<b>234,891,517</b>	<b>178,829,109</b>	<b>56,062,408</b>	<b>227,372,567</b>	<b>168,040,539</b>	<b>59,332,028</b>
Outstanding claims (including ULAE)	166,092,958	134,554,763	31,538,195	166,247,774	130,648,879	35,598,895
Incurred but not reported	68,798,559	44,274,346	24,524,213	61,124,793	37,391,660	23,733,133
<b>Total at 31 December</b>	<b>234,891,517</b>	<b>178,829,109</b>	<b>56,062,408</b>	<b>227,372,567</b>	<b>168,040,539</b>	<b>59,332,028</b>



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**For the year ended 31 December 2020**

**11 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)**

	31 December 2020			31 December 2019		
	Gross AED	Reinsurance AED	Total AED	Gross AED	Reinsurance AED	Net AED
<b>Unearned premium:</b>						
Total at 1 January	138,792,481	98,900,552	39,891,929	154,623,506	109,448,851	45,174,655
Increase during the year	289,773,699	216,349,445	73,424,254	323,786,185	235,861,391	87,924,794
Release during the year	(306,376,957)	(229,719,732)	(76,657,225)	(339,617,210)	(246,409,690)	(93,207,520)
Net decrease during the year	(16,603,258)	(13,370,287)	(3,232,971)	(15,831,025)	(10,548,299)	(5,282,726)
<b>Total at 31 December</b>	<b>122,189,223</b>	<b>85,530,265</b>	<b>36,658,958</b>	<b>138,792,481</b>	<b>98,900,552</b>	<b>39,891,929</b>

**Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Unallocated Loss Adjustment Expenses Reserve (ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions.**

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. IBNR claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Unexpired risk reserve (URR) are calculated by external actuaries using a selection of actuarial methods on those lines of business where the unearned premiums is not adequate to meet the expected future liabilities from claims, commissions and expenses. Actuaries analysed the expected losses on the in-force policies separately for each of these lines of business using a selection of actuarial method. Actual commission payouts and expected expenses on the in-force portfolio were used to calculate premium deficiency reserves. PDR also includes consideration of cost of capital or other profit loadings. Additional URR is held for lines of business where the risk is not linear across the policy term.

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**12 CASH AND CASH EQUIVALENTS**

	2020 AED	2019 AED
Cash on hand	200,410	176,961
Current accounts	98,680,781	192,894,486
Term deposits*	<u>183,208,101</u>	<u>104,367,554</u>
Bank balances and cash	282,089,292	297,439,001
Less: term deposits with an original maturity of more than three months	<u>(183,208,101)</u>	<u>(104,367,554)</u>
Cash and cash equivalents	<u>98,881,191</u>	<u>193,071,447</u>

\*Term deposits are stated net of expected credit losses amounting to AED 392,227 as at 31 December 2020 (2019: AED 392,220).

Geographical concentration of cash and bank balances is as follows:

	2020 AED	2019 AED
Within UAE	<u>282,089,292</u>	<u>297,439,001</u>

The interest rate on term deposits and current accounts with banks ranges between 0.50% and 3% (31 December 2019: 2.25% and 4.10%) per annum. All bank balances are held in local banks in the United Arab Emirates.

**13 RELATED PARTY TRANSACTIONS AND BALANCES**

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Directors are expected to avoid any action, position or interest that conflict with an interest of the Company. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors for their review and approval. When a potential conflict of interest arises, Directors concerned neither participates in the discussions nor exercise any influence over other members of the Board. If a major shareholder or a Director has any conflict of interests with any matter to be considered by the Board of Director and the Board of Directors determines that such a matter is significant, the decision thereon by the Board of Directors shall be made in the presence of all Directors and in the absence of the interested Director's vote.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the directors, managing director and his direct reports.

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

**13 RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

The following balances were outstanding at the end of the reporting period:

	<i>Nature of relationship</i>	2020 AED	2019 AED
Due from policyholders – related parties (note 10)	<i>Affiliates</i>	<u>641,565</u>	137,393
Remuneration of the Directors (note 17)		<u>4,500,000</u>	4,500,000

Transactions with related parties during the period are as follows:

	<i>Nature of relationship</i>	2020 AED	2019 AED
Gross premiums written	<i>Affiliates</i>	<u>1,665,774</u>	1,490,773
Claims paid	<i>Affiliates</i>	<u>939,299</u>	1,474,671
Remuneration of the Directors (note 17)		<u>4,500,000</u>	4,500,000

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions.

**Remuneration of key management personnel**

	2020 AED	2019 AED
Short term benefits	2,349,312	2,349,720
Post-employment benefits	<u>114,907</u>	114,592
	<u>2,464,219</u>	2,464,312

The remuneration of key management personnel is based on the remuneration agreed in their employment contracts as approved by the Board of Directors.

**14 SHARE CAPITAL**

	2020 AED	2019 AED
<i>Authorised, issued and fully paid:</i>		
100,000,000 (2019: 100,000,000) ordinary shares of AED 1 each	<u>100,000,000</u>	100,000,000

*Dividends:*

On 17 March 2020, the shareholders at the Annual General Assembly approved cash dividends of 0.40 fils per share amounting to AED 40,000,000 (2019: AED 35,000,000).

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**Notes to the financial statements (continued)**  
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**15 RESERVES**

*Legal reserve*

In accordance with the UAE Federal Law Number (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

*General reserve*

Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

*Investment revaluation reserve*

Investments revaluation reserve represents the accumulated unreleased gains or losses that are recognised on investments carried at fair value through other comprehensive income at reporting date.

*Reinsurance reserve*

In accordance with Insurance Authority's Board of Directors' Decision No. 23, Article 34, an amount of AED 1,101,777 was transferred from retained earnings to reinsurance reserve. The reserve is not available for distribution, and will not be disposed of without prior approval from Insurance Authority.

**16 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT**

	2020	2019
	AED	AED
At 1 January	7,915,825	7,548,873
Charge for the year	538,825	553,404
Paid during the year	(112,998)	(186,452)
At 31 December	<u>8,341,652</u>	<u>7,915,825</u>

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 202,574 (2019: AED 197,323).

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**17 INSURANCE AND OTHER PAYABLES**

	2020 AED	2019 AED
Due to policy holders	53,528,607	57,193,698
Due to insurance companies	47,427,301	56,900,548
Due to reinsurance companies	13,439,685	21,819,973
Premium reserve withheld	54,098,797	57,950,450
<b>Insurance payables</b>	<b>168,494,390</b>	<b>193,864,669</b>
Dividend payable	5,269,737	5,475,715
Fee payable to insurance authority	1,173,886	1,385,998
Deferred income	1,401,598	1,351,767
Remuneration of the Directors	4,500,000	4,500,000
Other payables	10,809,173	17,274,576
<b>Other payables</b>	<b>23,154,394</b>	<b>29,988,056</b>
	<b>191,648,784</b>	<b>223,852,725</b>

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Geographical concentration of insurance payables is as follows:

	31 December 2020			31 December 2019		
	Inside UAE AED	Outside UAE AED	Total AED	Inside UAE AED	Outside UAE AED	Total AED
Due to policy holders	53,300,998	227,609	53,528,607	57,193,698	-	57,193,698
Due to insurance companies	45,143,130	2,284,171	47,427,301	54,307,393	2,593,155	56,900,548
Due to reinsurance companies	1,182,508	12,257,177	13,439,685	1,643,305	20,176,668	21,819,973
	<b>99,626,636</b>	<b>14,768,957</b>	<b>114,395,593</b>	<b>113,144,396</b>	<b>22,769,823</b>	<b>135,914,219</b>

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**Notes to the financial statements (continued)**  
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**18 PROFIT FOR THE YEAR**

Profit for the year is stated after charging:

	2020 AED	2019 AED
Staff costs (note 23)	23,325,373	26,924,484
Depreciation of property and equipment right-of-use assets (note 23)	1,806,268	2,010,646
Amortisation of intangible assets (notes 4 & 23)	766,671	521,722

**19 BASIC AND DILUTED EARNINGS PER SHARE**

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

	2020 AED	2019 AED
Profit for the year (AED)	54,795,358	71,098,034
Weighted average number of ordinary shares in issue throughout the year	<u>100,000,000</u>	<u>100,000,000</u>
Basic and diluted earnings per share (AED)	<u>0.55</u>	<u>0.71</u>

As of 31 December 2020 and 2019, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

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**20 NET PREMIUMS**

	Gross premiums written		Reinsurance premiums ceded		Net premiums	
	2020	2019	2020	2019	2020	2019
	AED	AED	AED	AED	AED	AED
Motor	98,871,023	130,533,652	62,436,566	80,886,795	36,434,457	49,646,857
Fire	61,064,423	57,234,567	55,955,577	54,205,831	5,108,846	3,028,736
Medical	36,999,246	40,910,190	17,299,691	25,329,862	19,699,555	15,580,328
Engineering	20,677,461	19,759,521	18,999,980	18,840,191	1,677,481	919,330
Marine	58,796,862	62,235,279	53,593,193	49,765,356	5,203,669	12,469,923
Workmen's compensation and third-party liability	10,863,746	9,527,022	6,133,253	3,742,450	4,730,493	5,784,572
Other lines of business	2,500,938	3,585,954	1,931,184	3,090,906	569,754	495,048
	<b>289,773,699</b>	<b>323,786,185</b>	<b>216,349,444</b>	<b>235,861,391</b>	<b>73,424,255</b>	<b>87,924,794</b>

**21 NET CLAIMS PAID**

	Gross claims paid		Reinsurance share of claims paid		Net claims paid	
	2020	2019	2020	2019	2020	2019
	AED	AED	AED	AED	AED	AED
Motor	58,883,266	103,007,217	42,343,147	73,219,804	16,540,119	29,787,413
Fire	22,224,648	11,559,107	21,303,635	11,169,910	921,013	389,197
Medical	26,926,664	38,280,487	17,822,602	26,955,204	9,104,062	11,325,283
Engineering	7,111,668	6,469,556	6,972,432	6,373,028	139,236	96,528
Marine	22,017,312	4,453,131	21,338,766	4,233,636	678,546	219,495
Workmen's compensation and third-party liability	382,563	1,123,028	8,489	532,375	374,074	590,653
Other lines of business	3,444,717	3,939,432	3,129,837	3,631,609	314,880	307,823
	<b>140,990,838</b>	<b>168,831,958</b>	<b>112,918,908</b>	<b>126,115,566</b>	<b>28,071,930</b>	<b>42,716,392</b>

**22 INCOME FROM INVESTMENTS**

	2020	2019
	AED	AED
Dividend income	9,563,163	10,636,145
Interest income	7,303,512	10,459,200
Change in fair value of investments carried at fair value through profit or loss (note 9)	(2,149,122)	1,095,013
Gain on sale of investments carried at fair value through profit or loss	137,625	1,502,289
Other investment loss/expense	(1,712)	(24,098)
	<b>14,853,466</b>	<b>23,668,549</b>

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**23 GENERAL AND ADMINISTRATIVE EXPENSES**

	2020 AED	2019 AED
Staff costs (note 18)	23,325,373	26,924,484
Remuneration of the Directors (note 13)	4,500,000	4,500,000
Legal and professional fees	2,100,944	2,415,724
Insurance Authority fees	1,173,881	1,385,992
Depreciation of property and equipment and right-of-use assets (note 3, 5 & 18)	1,806,268	2,010,646
Impairment of outstanding claims recoveries	-	2,100,000
Travelling and communication	782,472	1,130,842
Amortisation of intangible assets (note 4 & 18)	766,671	521,722
Printing and stationery	355,598	481,255
Interest expense on withheld reinsurance balance	529,601	538,798
Training cost	289,774	323,786
Repair and maintenance	500,540	420,165
Other expenses	5,525,217	1,902,159
	<b>41,656,339</b>	<b>44,655,573</b>
<i>Allocated to:</i>		
Underwriting	2,453,810	4,887,936
Other expenses	39,202,529	39,767,637
	<b>41,656,339</b>	<b>44,655,573</b>

**24 RISK MANAGEMENT**

**Governance framework**

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

**Capital management objectives, policies and approach**

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position. The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements within the United Arab Emirates where it operates.



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**Notes to the financial statements (continued)**  
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**24 RISK MANAGEMENT (continued)**

**Approach to capital management**

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity funds provided by shareholders.

The Company has had no significant changes in its policies and processes relating to its capital structure during the previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2020 and 31 December 2019. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve and retained earnings, and is measured at AED 389 million as at 31 December 2019 (2019: AED 391 million).

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Insurance Authority allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year.

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

	<b>2020</b>	<b>2019</b>
	<b>AED</b>	<b>AED</b>
Minimum Capital Requirement (MCR)	<b>100,000,000</b>	100,000,000
Solvency Capital Requirement (SCR)	<b>131,566,174</b>	134,275,730
Minimum Guarantee Fund (MGF)	<b>42,634,469</b>	44,758,577
<i>Own Funds</i>		
Basic Own Funds	<b>233,457,059</b>	277,421,918
Ancillary Own Funds	-	-
MCR Solvency Margin (surplus)	<b>133,457,059</b>	177,421,918
SCR Solvency Margin (surplus)	<b>101,890,885</b>	143,146,188
MGF Solvency Margin (surplus)	<b>190,822,590</b>	232,663,341

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**25 INSURANCE AND FINANCIAL RISK**

**Regulatory framework**

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, regulators are also interested in ensuring that the Company maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

The operations of the Company are subject to regulatory requirements within the jurisdictions in which it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of insurance companies to meet unforeseen liabilities as these arise.

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE.

The major highlights of the new regulation is summarized in the below table:

**Regulation**

1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements.

**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 random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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 estimated 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.

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**Notes to the financial statements (continued)**  
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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Insurance risk (continued)**

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.

**Frequency and severity of claims**

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

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.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set minimum limit of AED 500,000 for motor and workmen's compensation and third-party liability AED 300,000 in any one event. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once in 3 years 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.

**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.

Large claims are assessed on a case-by-case basis or projected separately in order to allow for the possible distortive effect of their development and incidence on the rest of the portfolio. In estimating the liability for 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. Claims requiring court or arbitration decisions are estimated individually by independent loss adjusters along with the Company's internal legal counsel.

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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Insurance risk (continued)**

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 end of the reporting period.

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 estimated loss ratios are analysed below by class of business for the current and previous year:

	<i>31 December 2020</i>		<i>31 December 2019 (Restated)</i>	
	Gross loss ratio	Net loss ratio	Gross loss ratio	Net loss ratio
Motor	138%	139%	146%	32%
Non-motor	68%	78%	52%	84%

**Process used to decide on assumptions**

The risks associated with the 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 uses assumptions based on a mixture of internal and market data to measure its claims liabilities. 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 Company's accident years within the same class of business.

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**Notes to the financial statements (continued)**  
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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Insurance risk (continued)**

**Claims development process**

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis for motor and non-motor:

<i>Accident year</i>	<i>2016 and earlier AED</i>	<i>2017 AED</i>	<i>2018 AED</i>	<i>2019 AED</i>	<i>2020 AED</i>	<i>Total AED</i>
<b>Non-Motor- Gross:</b>						
At the end of the accident year	947,001,994	96,738,322	82,742,058	107,929,183	130,499,128	1,364,910,685
One year later	901,459,443	74,006,018	70,946,976	90,759,301	-	1,137,171,738
Two years later	884,430,864	73,964,091	63,891,142	-	-	1,022,286,097
Three years later	882,889,653	71,087,383	-	-	-	953,977,036
Four years later	<u>882,521,223</u>	-	-	-	-	<u>882,521,223</u>
Current estimate of						
Cumulative claims	882,521,223	71,087,383	63,891,142	90,579,301	130,499,128	1,238,758,177
Cumulative payments to date	<u>859,537,586</u>	<u>63,925,174</u>	<u>56,845,117</u>	<u>66,540,991</u>	<u>39,393,002</u>	1,086,241,870
Liability recognised in the statement of financial position	<u>22,983,637</u>	<u>7,162,209</u>	<u>7,046,025</u>	<u>24,218,310</u>	<u>91,106,126</u>	<u>152,516,307</u>
<b>Motor- Gross:</b>						
At the end of the accident year	535,523,974	146,640,701	121,908,015	92,203,877	67,490,132	963,766,699
One year later	463,302,257	125,308,055	101,760,899	84,244,582	-	774,615,793
Two years later	460,249,046	126,327,646	103,983,590	-	-	690,560,282
Three years later	459,803,089	120,526,263	-	-	-	580,329,352
Four years later	<u>453,206,779</u>	-	-	-	-	<u>453,206,779</u>
Current estimate of						
Cumulative claims	453,206,779	120,526,263	103,983,590	84,244,582	67,490,132	829,451,346
Cumulative payments to date	448,675,018	<u>115,733,102</u>	<u>91,532,769</u>	<u>66,862,137</u>	<u>28,761,143</u>	<u>751,564,169</u>
Liability recognised in the statement of financial position	<u>4,531,761</u>	<u>4,793,161</u>	<u>12,450,821</u>	<u>17,382,445</u>	<u>38,728,989</u>	<u>77,887,177</u>

**Concentration of insurance risk**

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

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.

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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Insurance risk (continued)**

**Concentration of insurance risk (continued)**

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

	<i>31 December 2020</i>		<i>31 December 2019</i>	
	Gross AED	Net AED	Gross AED	Net AED
<b>Motor</b>				
UAE	18,481,937,354	5,544,581,206	22,450,219,437	6,730,582,831
<b>Non-motor</b>				
UAE	180,880,832,340	7,120,272,667	185,613,744,184	8,670,105,259
GCC Countries	19,196,123,909	4,336,553,963	16,680,830,379	3,327,863,247
	<u>200,076,956,249</u>	<u>11,456,826,630</u>	<u>202,294,574,563</u>	<u>11,997,968,506</u>
<b>Grand Total</b>	<u>218,558,893,603</u>	<u>17,001,407,836</u>	<u>224,744,794,000</u>	<u>18,728,551,337</u>

**Sensitivity of underwriting profit and losses**

The insurance operations of the Company resulted in a profit of AED 77,469,819 (2019: AED 85,259,413).

• The Company has an overall risk retention level in the region of 7.78% (2019: 8.33%) and the Company is adequately covered by proportional and non-proportional programs to guard against major financial impact.

• The Company has net commission earnings of AED 21,939,586 during the year against AED 25,456,573 in 2019 from underwriting operations, predominantly from the reinsurance placement which remains as a comfortable source of income.

**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;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and fixed deposits and bonds.

The Company has adopted a policy of only 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 the 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.

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**Notes to the financial statements (continued)  
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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Credit risk (continued)**

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 mitigated by ongoing credit evaluation of their financial condition. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

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.

The Company's five largest customers account for 31% of outstanding accounts receivable at 31 December 2020 (2019: 26%).

At 31 December 2020 and 2019, all term deposits were placed with banks within UAE. Management is confident that this concentration of liquid assets at year-end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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

**Equity price risk**

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

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

For investments held at fair value through profit or loss

Fair value would have increased/decreased by AED 4,013,626 (2019: AED 4,382,700).

For investments held at fair value through other comprehensive income

Changes in revaluation reserves of shares would increase/decrease by AED 17,055,674 (2019: AED 19,005,400) as a result of the changes in fair value of quoted shares.

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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Interest rate risk**

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is exposed to interest rate risk on its investment in bonds and term deposits that carry fixed interest rates which are detailed in Notes 9 and 12, respectively.

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

**Interest rate sensitivity analysis**

The sensitivity analysis has been determined based on the exposure to interest rates for interest-bearing financial assets assuming the amount of assets at the end of the reporting period were outstanding for the whole year.

As all the interest-bearing financial assets and liabilities of the Company carry fixed interest rates, the Company is not subject to fluctuation of interest rate at the reporting date.

**Currency risk**

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The Company's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Company is not subject to significant currency risk.

**Liquidity risk**

Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2020 and 31 December 2019, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED	Non-current >1 year AED	Total AED
<b>31 December 2020</b>			
Trade and other payables	191,648,784	-	191,648,784
Insurance contract liabilities	358,127,301	-	358,127,301
	<u>549,776,085</u>	<u>-</u>	<u>549,776,085</u>
<b>31 December 2019</b>			
Trade and other payables	223,852,725	-	223,852,725
Insurance contract liabilities	368,829,914	-	368,829,914
	<u>592,682,639</u>	<u>-</u>	<u>592,682,639</u>



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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Liquidity risk (continued)**

The expected maturity profile of the assets at 31 December 2020 and 2019 is as follows:

	Current AED	Non-current AED	Total AED
<i>31 December 2020</i>			
Property and equipment	-	1,534,096	1,534,096
Intangible assets	-	3,817,779	3,817,779
Right-of-use-assets	-	5,312,243	5,312,243
Investment properties	-	65,812,225	65,812,225
Statutory deposits	-	9,980,000	9,980,000
Deferred acquisition costs	16,432,759	-	16,432,759
Investments carried at fair value through other comprehensive income	-	170,556,736	170,556,736
Investments carried at fair value through profit or loss	40,136,262	-	40,136,262
Insurance balances receivable	106,329,866	-	106,329,866
Reinsurer's share of unearned premium reserve	85,530,265	-	85,530,265
Reinsurer's share of outstanding claims reserve	134,554,763	-	134,554,763
Reinsurer's share of claims incurred but not reported reserve	44,274,346	-	44,274,346
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	-	-	-
Prepayments and other receivables	7,800,394	-	7,800,394
Deposits	183,208,101	-	183,208,101
Bank balances and cash	98,881,191	-	98,881,191
	<u>717,147,947</u>	<u>257,013,079</u>	<u>974,161,026</u>

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**25 INSURANCE AND FINANCIAL RISK (continued)**

**Liquidity risk (continued)**

	<b>Current AED</b>	<b>Non-current AED</b>	<b>Total AED</b>
<i>31 December 2019</i>			
Property and equipment	-	1,985,244	1,985,244
Intangible assets	-	1,253,615	1,253,615
Right-of-use-assets	-	8,101,123	8,101,123
Investment properties	-	65,812,225	65,812,225
Statutory deposits	-	9,980,000	9,980,000
Deferred acquisition costs	15,510,242	-	15,510,242
Investments carried at fair value through other comprehensive income	-	190,053,996	190,053,996
Investments carried at fair value through profit or loss	43,826,999	-	43,826,999
Insurance balances receivable	116,875,552	-	116,875,552
Reinsurer's share of unearned premium reserve	98,900,552	-	98,900,552
Reinsurer's share of outstanding claims reserve	130,648,879	-	130,648,879
Reinsurer's share of claims incurred but not reported reserve	37,391,660	-	37,391,660
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	591,565	-	591,565
Prepayments and other receivables	6,110,522	-	6,110,522
Deposits	104,367,554	-	104,367,554
Bank balances and cash	193,071,447	-	193,071,447
	<u>747,294,972</u>	<u>277,186,203</u>	<u>1,024,481,175</u>

Except for employees' end of service benefits of AED 8,341,652 (2019: AED 7,915,825) and the non-current portion of lease liabilities amounting to AED 3,669,432 (2019: AED 5,321,373), the Company expects its liabilities of AED 572,827,118 (2019: AED 619,770,831) to mature in less than twelve months from the reporting date.

**26 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments comprise financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the reporting date.

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**26 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as at 31 December 2020 and 31 December 2019:

	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
<b>31 December 2020</b>				
Investments carried at fair value through other comprehensive income	170,556,736	-	-	170,556,736
Investments carried at fair value through profit and loss	33,307,526	-	6,828,736	40,136,262
	<u>203,864,262</u>	<u>-</u>	<u>6,828,736</u>	<u>210,692,998</u>
<b>31 December 2019</b>				
Investments carried at fair value through other comprehensive income	190,053,996	-	-	190,053,996
Investments carried at fair value through profit and loss	35,824,260	-	8,002,739	43,826,999
	<u>225,878,256</u>	<u>-</u>	<u>8,002,739</u>	<u>233,880,995</u>

**Valuation technique:**

Level 1: Quoted bid prices in an active market

Level 3: Net assets value based on audited financials

During the reporting periods ended 31 December 2020 and 31 December 2019, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

**27 SEGMENT REPORTING**

**27.1 Segment revenue and results**

The Company has two reportable segments, as described below, which are the Company's strategic business units. The strategic business units are managed separately because they require different approach, technology and marketing strategies. For each of the strategic business units, the Chief Operating Decision Maker reviews internal management reports on at least a quarterly basis.

The following summary describes the two main business segments:

- Underwriting of general insurance business - incorporating all classes of general insurance such as fire, marine, motor, medical, general accident and miscellaneous.
- Investments - incorporating investments in marketable equity securities and investment funds, development bonds, term deposits with banks and investment properties and other securities.

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

**27 SEGMENT REPORTING (continued)**

**27.1 Segment revenue and results (continued)**

Information regarding the Company's reportable segments is presented below:

	31 December 2020			31 December 2019		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Direct revenues	346,387,647	19,853,185	366,240,832	382,991,518	24,701,889	407,693,407
Direct costs	(271,566,406)	(925,728)	(272,492,134)	(294,519,084)	(821,260)	(295,340,344)
Other underwriting income	5,102,387	-	5,102,387	1,674,914	-	1,674,914
Other underwriting expenses	(2,453,810)	-	(2,453,810)	(4,887,936)	-	(4,887,936)
Non-cash investment (loss)/gain	-	(2,150,833)	(2,150,833)	-	2,078,729	2,078,729
Segment profit	77,469,818	16,776,624	94,246,442	85,259,412	25,959,358	111,218,770
General and administrative expenses			(39,202,529)			(39,767,637)
Finance cost			(261,618)			(376,266)
Other income			13,063			23,167
Profit for the year			54,795,358			71,098,034

**27.2 Segment assets and liabilities**

	31 December 2020			31 December 2019		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	405,586,511	469,693,324	875,279,835	610,440,398	220,969,330	831,409,728
Unallocated assets	-	-	98,881,191	-	-	193,071,447
<b>Total assets</b>			<b>974,161,026</b>			<b>1,024,481,175</b>
Segment liabilities	573,059,379	6,509,086	579,568,465	618,352,282	9,180,029	627,532,311
Unallocated liabilities	-	-	5,269,737	-	-	5,475,718
<b>Total liabilities</b>			<b>584,838,202</b>			<b>633,008,029</b>
Capital expenditure	3,662,357	-	3,662,357	2,141,672	-	2,141,672

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**27 SEGMENT REPORTING (continued)**

**27.3 Revenue from underwriting departments**

The following is an analysis of the Company's revenues classified by major underwriting departments.

	2020 AED	2019 AED
Motor	115,723,647	152,250,525
Medical	39,594,200	43,255,895
Engineering	27,296,330	26,554,445
Fire	80,483,973	75,123,899
Marine	66,074,942	71,186,463
Workman compensation and third-party liability	11,550,562	9,980,158
Other lines of business	2,771,657	4,640,133
	<u>343,495,311</u>	<u>382,991,518</u>

**27.4 Geographical information**

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Company are held in the UAE and other GCC countries.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2020 AED	Revenue 2019 AED	Total assets 2020 AED	Total assets 2019 AED
United Arab Emirates	284,028,854	329,529,291	968,942,034	1,019,609,515
Other GCC Countries	9,094,927	7,084,165	2,533,747	2,898,175
Others	50,371,530	46,378,062	2,185,973	1,973,485
	<u>343,495,311</u>	<u>382,991,518</u>	<u>973,661,754</u>	<u>1,024,481,175</u>

**28 COMMITMENTS AND CONTINGENT LIABILITIES**

***Legal claims***

The Company, in common with the majority of insurers, is subject to claims and litigation in the normal course of its business. Based on advice from internal claims department and independent legal advice, the management records provision representing best estimate of probable outflow of economic resources

***Guarantees***

	2020 AED	2019 AED
Bank guarantees	18,550,200	18,706,187

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

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

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**29 Reclassifications**

Certain comparative figures have been reclassified, where necessary, to conform to the current year presentation. Management believes that the current year presentation provides more meaningful information to the readers of the financial statements.

These reclassifications did not have any impact on the current or prior year's statement of comprehensive income or retained earnings.

**30 Approval of the financial statements**

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

**31 Impact of COVID-19 on the Company's operations**

The coronavirus ("COVID-19") pandemic has spread rapidly across the globe. The novel coronavirus (COVID-19) outbreak is a serious and unprecedented public health threat. It has interrupted the movement of people and goods/service throughout the world, and many levels of government are instituting restrictions on individuals and businesses. The pandemic has had significant negative effects on the global economy. The resulting impact on financial reporting will be significant.

The Management has determined that the COVID-19 pandemic has not created a material uncertainty that casts doubt on the entity's ability to continue as a going concern.

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. Measures taken by various governments to contain the virus have affected economic activity. We have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our people (such as social distancing and working from home) and ensuring uninterrupted services that are essential to our business.

At this stage, the impact on our business and results has not been significant and based on our experience to date we expect this to remain. As we operate in Insurance Sector, we have found demand for our products/ services and expect this to continue. We will continue to follow the various government policies and advises and, in parallel, we will do our utmost to continue our operations in the best and safest way possible without jeopardizing the health of all stakeholders.

We have performed impairment testing on Property, plant and equipment and intangible assets and has identified that no indicators of impairment that exist as a result of the economic conditions caused by the spread of COVID-19.

The negative economic outlook and cash flow difficulties experienced by customers because of COVID-19 and financial instruments and the measurement of expected credit losses - under IFRS 9 based on information about past events, current conditions and forecasts of future economic conditions are also considered for our ECL provision for the year 2020.

Since 31 December 2019, the consequences of the COVID-19 outspread has not materially and adversely affected the supply and demand for the Company's primary products / services and therefore, its operating results have not been significantly affected.