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

Review report and condensed interim financial information for the three month period ended 31 March 2021

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

Review report and condensed interim financial information for the three month period ended 31 March 2021

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

Directors' report for the period ended 31 March 2021

The Board of Directors have pleasure in presenting their performance for the period ended 31 March 2021 which have been reviewed by the external auditors.

Incorporation and registered office

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

Financial position and results

For the three months period ended 31 March 2021, RAK Insurance achieved a net profit of AED 3.1M compared to AED 0.4M in the previous period.

Gross written premium decreased by 13.5% to AED 106M compared to AED 122M in the previous period.

Gross underwriting income from insurance operations decreased to AED 9M compared to AED 16M in the previous period.

As at 31 March 2021, The Company's total assets decreased from AED 677M to AED 671M and the Shareholders' Equity increased from AED 203M to AED 206M.

Total liabilities were AED 465M compared to AED 474M in the previous period.

Basic earnings per share is AED 0.03 in the current period compared to AED 0.004 of the previous period.

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who have contributed to our Company's success. Our sincere appreciation to the executive management and staff for their dedication, commitment and constant hard work. The Directors would also like to acknowledge our reinsurance partners, customers and all the stakeholders of the company.

Yours faithfully,

Salem Ali Al Sharhan

Chairman

Review report on condensed interim financial information to the Board of Directors of Ras Al Khaimah National Insurance Company P.S.C.

Introduction

We have reviewed the accompanying condensed interim statement of financial position of Ras Al Khaimah National Insurance Company P.S.C. (the 'Company') as at 31 March 2021 and the related condensed interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and other explanatory notes. Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with International Accounting Standard 34 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial information performed by the independent auditor of the entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for qualified conclusion

Prior to October 2020, the Company had entered into medical capitation agreements with several medical service providers to cap the cost of claims arising from some of its medical insurance contracts. These agreements meet the definition of reinsurance contracts under International Financial Reporting Standard 4, "Insurance contracts".

As a result, there is an overstatement in "Gross claims settled" and an understatement in "Insurance premium ceded to reinsurers" in the statement of profit or loss for the three-month periods ended 31 March 2021 and 31 March 2020 of AED 14 million and AED 22 million respectively and an understatement in "Reinsurance contract assets" and "Insurance and other payables" in the statement of financial position as at 31 March 2021 and 31 December 2020 of AED 11 million and AED 24 million respectively.

In addition, because of the lack of available information from third party administrators, management was not able to quantify the cost of the notional claims that the Company would have incurred if the capitation agreements were properly accounted for as reinsurance contracts. As such, there is an equal understatement in both the "Gross claims settled" and "Reinsurance share of claims settled" amounts in the statement of profit or loss for the three-month periods ended 31 March 2021 and 31 March 2020.

There is no impact of any of these misstatements on the "Gross underwriting income" or the "Profit" for the three-month periods ended 31 March 2021 and 31 March 2020.

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Review report on condensed interim financial information to the Board of Directors of Ras Al Khaimah National Insurance Company P.S.C. (continued)

Basis for qualified conclusion (continued)

Effective 27 October 2020, management has terminated the existing medical capitation agreements as per the recommendation of the UAE Insurance Authority and is gradually converting the medical policies which were previously underwritten under the capitation schemes into regular reinsurance coverage in line with all other medical policies.

Qualified conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

PricewaterhouseCoopers

6 May 2021

Rami Sarhan
Registered Auditor Number 1152
Place: Ras Al Khaimah, United Arab Emirates

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

Condensed interim statement of financial position

	Notes	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Assets			
Property and equipment	4	**2,689,083**	2,504,635
Investment properties	5	**2,500,000**	15,296,086
Intangible assets		**7,488,199**	7,858,509
Statutory deposit	7	**10,000,000**	10,000,000
Financial assets at fair value through other comprehensive income ("FVTOCI")	6	**28,507,937**	72,906,429
Fixed deposits	10	**191,182,529**	181,178,662
Reinsurance contract assets	8	**172,606,033**	166,116,363
Deferred acquisition costs	20	**23,453,090**	24,088,139
Insurance and other receivables	9	**150,272,214**	167,318,389
Cash and cash equivalents	10	**69,284,351**	29,636,683
		657,983,436	676,903,895
Assets classified as held for sale	5.1	**12,753,436**	-
Total assets		**670,736,872**	676,903,895
Equity and liabilities			
Equity			
Share capital	11	**121,275,000**	121,275,000
Statutory reserve	12	**48,708,862**	48,708,862
Voluntary reserve	13	**20,000,000**	20,000,000
Reinsurance reserve	14	**1,185,280**	949,485
Cumulative changes in fair value of FVTOCI securities		**379,377**	650,387
Retained earnings		**14,321,200**	11,492,284
Total equity		**205,869,719**	203,076,018
Liabilities			
Provision for employees' end of service indemnity		**6,197,136**	6,064,285
Insurance contract liabilities	8	**333,560,814**	348,693,073
Deferred commission income	21	**18,142,045**	19,240,758
Insurance and other payables	17	**106,967,158**	99,829,761
Total liabilities		**464,867,153**	473,827,877
Total equity and liabilities		**670,736,872**	676,903,895

This condensed interim financial information was authorised for issue on 6 May 2021 by the Board of Directors and signed on their behalf by:

Salem Al Sharhan
Chairman

Ewen McRobbie
Chief Executive Officer

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

Condensed interim statement of profit or loss

	Notes	For the three month period ended 31 March (Unaudited)	
		2021	**2020**
		AED	**AED**
Insurance premium revenue earned	22	**122,251,543**	143,933,332
Insurance premium ceded to reinsurers	22	**(46,545,361)**	(41,450,005)
Net insurance premium revenue earned		**75,706,182**	102,483,327
Gross claims settled		**(78,945,511)**	(131,422,685)
Reinsurance share of claims settled		**26,300,320**	54,983,324
Net claims settled		**(52,645,191)**	(76,439,361)
Net change in outstanding claims, unallocated loss adjustment expenses and claims incurred but not reported ("IBNR") provisions		**4,456,395**	806,452
Net change in mathematical reserve		**(103,094)**	(3,348,360)
Net claims incurred		**(48,291,890)**	(78,981,269)
Gross commission earned		**4,338,213**	5,565,289
Commission incurred		**(22,745,387)**	(13,318,091)
Net commission incurred		**(18,407,174)**	(7,752,802)
Gross underwriting income		**9,007,118**	15,749,256
General and administrative expenses		**(13,157,690)**	(12,907,305)
(Release of provision) / provision for impairment		**3,286,564**	(2,545,009)
Net underwriting (loss) / income		**(864,008)**	296,942
Interest income		**1,900,773**	2,269,650
Investment income / (expense) - net		**1,993,172**	(865,908)
Other income / (expense)		**34,774**	(5,863)
Other expenses		**-**	(1,249,881)
Profit for the period		**3,064,711**	444,940
Basic and diluted earnings per share	15	**0.03**	0.004

Condensed interim statement of comprehensive income

	For the three month period ended 31 March (Unaudited)	
	2021	**2020**
	AED	**AED**
Profit for the period	**3,064,711**	444,940
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss:		
Net change in fair value of debt investments designated at FVTOCI	**(1,082,172)**	(4,421,503)
Items that will not be reclassified subsequently to profit or loss:		
Net change in fair value of equity investments designated at FVTOCI	**811,162**	(101,355)
Total other comprehensive loss for the period	**(271,010)**	(4,522,858)
Total comprehensive income / (loss) for the period	**2,793,701**	(4,077,918)

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

Condensed interim statement of changes in equity

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Reinsurance reserve AED	Cumulative changes in fair value of FVTOCI investments AED	Retained earnings AED	Total AED
Balance at 31 December 2019 (audited)	115,500,000	47,361,316	20,000,000	-	1,216,481	6,088,854	190,166,651
Profit for the period	-	-	-	-	-	444,940	444,940
Other comprehensive loss for the period	-	-	-	-	(4,522,858)	-	(4,522,858)
Total comprehensive loss for the period	-	-	-	-	(4,522,858)	444,940	(4,077,918)
Issue of bonus shares (Note 19)	5,775,000	-	-	-	-	(5,775,000)	-
Balance at 31 March 2020 (Unaudited)	121,275,000	47,361,316	20,000,000	-	(3,306,377)	758,794	186,088,733
Balance at 31 December 2020 (audited)	121,275,000	48,708,862	20,000,000	949,485	650,387	11,492,284	203,076,018
Profit for the period	-	-	-		-	3,064,711	3,064,711
Other comprehensive loss for the period	-	-	-		(271,010)	-	(271,010)
Total comprehensive income for the period	-	-	-	-	(271,010)	3,064,711	2,793,701
Transfer to reinsurance reserve (Note 14)	-	-	-	235,795	-	(235,795)	-
Balance at 31 March 2021 (unaudited)	**121,275,000**	**48,708,862**	**20,000,000**	**1,185,280**	**379,377**	**14,321,200**	**205,869,719**

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

Condensed interim statement of cash flows

	For the three month period ended 31 March (Unaudited)	
	2021 AED	2020 AED
Cash flows from operating activities		
Profit for the period	**3,064,711**	444,940
Adjustments for:		
Depreciation of property and equipment	**299,437**	407,444
Depreciation of investment properties	**42,651**	127,953
Amortisation of intangible assets	**370,310**	370,310
(Release of provision) / provision for impairment – net	**(3,229,623)**	2,545,010
Provision for employees' end of service indemnity	**259,038**	259,127
Unrealised loss on financial asset at FVTPL	**-**	1,045,750
Realised gain on disposal of financial asset at FVTOCI	**(1,102,114)**	-
Interest income	**(1,900,773)**	(2,269,650)
Dividend income	**(747,489)**	(9,999)
Amortisation of premium on FVTOCI debt investments	**60,147**	93,664
Net income from investment properties	**(143,602)**	(169,843)
Realised loss on disposal of property and equipment	**645**	-
Operating cash flows before changes in working capital and payments of employees' end of service indemnity	**(3,026,662)**	2,844,706
Changes in working capital:		
(Increase) / decrease in reinsurance contract assets	**(6,489,670)**	3,219,307
Decrease in deferred acquisition costs	**635,049**	2,507,263
Decrease in deferred commission income	**(1,098,713)**	(1,011,685)
Decrease in insurance contract liabilities	**(15,132,259)**	(17,580,436)
Decrease / (increase) in insurance and other receivables	**21,131,873**	(29,194,663)
Increase in insurance and other payables	**7,137,397**	24,629,455
Net cash generated from / (used in) operations	**3,157,015**	(14,586,053)
Employees' end of service indemnity paid	**(126,187)**	(132,375)
Net cash generated from / (used in) operating activities	**3,030,828**	(14,718,428)
Cash flows from investing activities		
Purchase of property and equipment	**(488,230)**	(596,067)
Sales proceeds from disposal of property and equipment	**3,699**	-
Proceeds from maturity of financial assets at FVTOCI	**7,346,000**	-
Proceeds from sale of financial assets at FVTOCI	**37,970,371**	-
Rental income received from investment properties	**143,602**	169,843
Interest received	**2,177,625**	1,907,332
Dividend income received	**449,920**	-
Maturities of fixed deposits with banks with original maturities greater than three months	**30,000,000**	30,000,000
Placements of fixed deposits with banks with original maturities greater than three months	**(40,000,000)**	(13,206,221)
Net cash generated from investing activities	**37,602,987**	18,274,887
Net increase in cash and cash equivalents	**40,633,815**	3,556,459
Cash and cash equivalents at the beginning of the period	**29,682,191**	27,651,721
Net cash and cash equivalents at the end of the period (Note 10.1)	**70,316,006**	31,208,180

For the purpose of condensed interim statement of cash flows, cash and cash equivalents are presented before the allowance for impairment as disclosed in Note 10.1.

Principal non-cash transactions:
There were no non-cash transactions during the three-month period ended 31 March 2021 (31 March 2020: issue of bonus shares of AED 5.775 million for no consideration).

1 General information

Ras Al Khaimah National Insurance Company P.S.C. (the "Company") is a public joint-stock company, established and incorporated in the Emirate of Ras Al Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of the U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 7.

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

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

The Company is a subsidiary of National Bank of Ras Al Khaimah P.S.C. (the "Parent company") which is incorporated in the Emirate of Ras Al Khaimah, United Arab Emirates. The address of the Company's registered head office is P. O. Box 506, Ras Al Khaimah, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange, United Arab Emirates.

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

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

2.1 New and revised IFRSs and interpretations applied on the condensed consolidated interim financial information

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

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 "Insurance contracts"	1 January 2023
On 18 May 2017, the IASB finished its long-standing project to develop an accounting standard on insurance contracts and published IFRS 17 "Insurance Contracts". IFRS 17 replaces IFRS 4, which currently permits a wide variety of practices. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.	
IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. A simplified premium allocation approach is permitted for the liability for the remaining coverage if it provides a measurement that is not materially different from the general model or if the coverage period is one year or less. However, claims incurred will need to be measured based on the building blocks of discounted, risk-adjusted, probability weighted cash flows.	
Amendments to IFRS 17, 'Insurance Contracts'	1 January 2023
The IASB issued the amendments to IFRS 17, 'Insurance contracts', on 25 June 2020, together with an amendment to IFRS 4, so that eligible insurers can still apply IFRS 9 alongside IFRS 17. This concluded the IASB's targeted amendments to IFRS 17 which aimed to ease implementation of the standard by reducing implementation costs and making it easier for entities to explain, to investors and others, the results from applying IFRS 17.	
IFRS 17 should be applied to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted, and the amendments should be applied at the same time.	
Management anticipates that IFRS 17 will be adopted in the Company's financial statements on its application date. The application of IFRS 17 will have an impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts issued and reinsurance contracts held. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review. The Company has appointed an external advisor to support the business through the design and Implementation phases of IFRS 17. The Company, with the assistance of the external advisor has performed an operational impact analysis and a financial impact assessment.	

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8 - The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.	1 January 2023
Amendments to IAS 1, Presentation of financial statements' on classification of liabilities These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.	1 January 2022
Amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16 Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.	1 January 2022

Management anticipates that these new standards, interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 17, mentioned above, is not expected to have a material impact on the financial statements of the Company in the period of initial application.

3 Summary of significant accounting policies

3.1 Basis of preparation

This condensed interim financial information has been prepared in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting' and complies with the applicable requirements of the laws in the U.A.E.

The condensed interim financial information is presented in U.A.E. Dirhams (AED) since that is the currency in which the majority of the Company's transactions are denominated.

This condensed interim financial information has been prepared on the historical cost basis, except for financial assets carried at fair value through other comprehensive income which are carried at fair value.

The Company's condensed interim statement of financial position is not presented using a current / non-current classification. However, the following balances would generally be classified as current: Cash and cash equivalents, insurance and other receivables and insurance and other payables. The following balances would generally be classified as non-current: property and equipment, investment properties, intangible assets and statutory deposits. The following balances are of mixed nature (including both current and non-current portions): financial assets at fair value through other comprehensive income, reinsurance contract assets, deferred acquisition costs, insurance contract liabilities and deferred commission income, fixed deposits and provision for employees' end of service indemnity.

The condensed interim financial information does not include all the notes of the type normally included in annual financial statements. Accordingly, this report is to be read in conjunction with the annual audited financial statements for the year ended 31 December 2020.

The accounting policies, presentation and methods in this condensed interim financial information are consistent with those used in the audited financial statements for the year ended 31 December 2020, except for Non-current assets classified as held for sale (refer to Note 3.5).

In addition, results for the three month period ended 31 March 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

3.1.1 Judgements and estimates

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed interim financial information, the significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the audited financial statements as at and for the year ended 31 December 2020.

3 Summary of significant accounting policies (continued)

3.1 Basis of preparation (continued)

3.1.2 Insurance and financial risk management

The Company's insurance and financial risk management objectives and policies are consistent with those disclosed in the audited financial statements as at and for the year ended 31 December 2020. There have been no changes in any risk management policies since the year end.

The accounting policies in respect of investment properties, financial assets, intangible assets and property and equipment have been disclosed in this condensed interim financial information as required by Securities and Commodities Authority ("SCA") notification dated 12 October 2008 (Notes 3.2 to 3.4 and 3.6).

3.2 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The useful life of investment properties is estimated at 30 years.

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

3.3 Property and equipment

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

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

3 Summary of significant accounting policies (continued)

3.3 Property and equipment (continued)

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

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

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

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

3.4 Intangible assets

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

3.5 Non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

3 Summary of significant accounting policies (continued)

3.6 Financial assets

Classification and measurement - Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

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

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVTOCI);

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Equity instruments at FVTOCI

Investments in equity instruments/funds at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value of securities. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings. The Company has designated all investments in equity instruments that are not held for trading as FVTOCI.

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

Classification and measurement - Financial assets (continued)

Equity instruments at FVTOCI (continued)

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

Debt instruments at amortised cost or at FVTOCI

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss.

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

Financial assets at FVTPL

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

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

Impairment

The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits; insurance and other receivables that are not measured at FVTPL; and debt investments measured subsequently at amortised costs or at FVTOCI.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for insurance and other receivables at an amount equal to lifetime ECLs. Current accounts with banks, debt investments measured subsequently at amortised cost or at FVTOCI, fixed deposits and statutory deposits are assessed to have low credit risk as they are held with reputable local banks.

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

Impairment (continued)

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

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

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

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

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

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

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

Impairment (continued)

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

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

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

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVTOCI, and insurance and other receivables are presented in the statement of profit or loss within "(Release of provision) / provision for impairment".

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation were derived from the Company's internally developed statistical models and other historical data. They were adjusted to reflect forward-looking information.

The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach.

3 Summary of significant accounting policies (continued)

3.6 Financial assets (continued)

Credit impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried are credit impaired.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 and also recognises a collateralised borrowing for the proceeds received.

4 Property and equipment

All property and equipment are located in the United Arab Emirates.

During the three month period ended 31 March 2021, the Company purchased AED 0.5 million (during the year ended 31 December 2020: AED 1.4 million) of various types of equipment and disposed AED 4,347 (during the year ended 31 December 2020: AED 2.4 million).

5 Investment properties

Investment properties comprise of a plot of land located in the Sharjah, United Arab Emirates (31 December 2020: a plot of land located in the Sharjah, United Arab Emirates and 4 villas in Dubai, United Arab Emirates).

The fair value of the Company's investment properties as at 31 December 2020 amounted to AED 17.7 million and have been arrived at on the basis of recent valuations carried by external valuers who have appropriate market experience in the valuation of properties in the United Arab Emirates. During the three month period ended 31 March 2021, the four villas having fair value of AED 13.1 million against carrying value of AED 12.75 million have been reclassified as assets held for sale (refer Note 5.1).

Management estimates that there has been no significant change in the fair value of investment properties during the three month period ended 31 March 2021.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the period. Investment properties are classified as level 2 in the fair value hierarchy as at 31 March 2021 (31 December 2020: Level 2).

5 Investment properties (continued)

5.1 Assets classified as held for sale

During three-month period ended 31 March 2021, management entered into agreements to sell the 4 villas to third parties for considerations in excess of the carrying amounts in the financial statements. The transactions are likely to be finalized during the second quarter of 2021.

Villas classified as held for sale during the reporting period were measured at the lower of their carrying amount and fair value less costs to sell at the time of the reclassification. The fair value of the villas was determined using the selling price.

6 Financial investments

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

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
FVTOCI	**28,533,913**	73,079,327
Less: Allowance for impairment	**(25,976)**	(172,898)
	28,507,937	72,906,429

The Company has designated all investments in equity instruments that are not held for trading as at FVTOCI. Debt instruments carry interest rate of 5.112% to 5.5% per annum (31 December 2020: 3.75% to 7.5%). They are redeemable at par in 2022 (31 December 2020: 2021 to 2026) based on their maturity dates.

6 Financial investments (continued)

The movement in the financial investments is as follows:

	FVTPL	**FVTOCI-debt**	**FVTOCI-equity**
	AED	**AED**	**AED**
Balance at 31 December 2019	4,599,938	71,846,613	713,556
Additions during the year	-	32,030,408	14,907,129
Disposals during the year	(4,187,440)	(48,461,464)	-
Net change in fair value	-	(352,550)	(213,544)
Realised (loss) / gain on disposal of financial investments	(412,498)	2,854,233	-
Amortisation of premium on FVTOCI debt instruments to profit or loss	-	(349,764)	-
Less: Allowance for impairment	-	(68,188)	-
Balance at 31 December 2020	-	57,499,288	15,407,141
Disposals during the period	-	(37,970,371)	-
Maturities during the period	-	(7,346,000)	-
Net change in fair value	-	(1,082,173)	811,163
Realised gain on disposal of financial investments	-	1,102,114	-
Amortisation of premium on FVTOCI debt instruments to profit or loss	-	(60,147)	-
Reversal of impairment during the period	-	146,922	-
Balance at 31 March 2021	**-**	**12,289,633**	**16,218,304**

Details of provision for impairment were as follows:

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Balance at the beginning of the period / year	**172,898**	104,710
(Reversal) / charge of impairment during the period / year	**(146,922)**	68,188
Balance at the end of the period / year	**25,976**	172,898

7 Statutory deposit

A deposit of AED 10 million (31 December 2020: AED 10 million) has been placed with one of the banks, in accordance with Article (42) of the UAE Federal Law No. (6) of 2007. This deposit has been pledged to the bank as security against a guarantee issued by the bank in favour of the UAE Insurance Authority for the same amount. This deposit cannot be withdrawn without prior approval of the UAE Insurance Authority and bears an interest rate of 2.4% per annum (31 December 2020: 2.4% per annum).

8 Insurance contract liabilities and reinsurance contract assets

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Insurance contract liabilities		
Outstanding claims	**85,086,086**	81,495,011
Unallocated loss adjustment expense reserve	**3,032,755**	2,840,928
Claims incurred but not reported	**50,639,370**	52,610,060
Unearned premiums	**157,758,466**	173,393,182
Unexpired risk reserve	**23,069,103**	24,089,413
Mathematical reserve	**13,975,034**	14,264,479
	333,560,814	348,693,073
Reinsurance contract assets		
Outstanding claims	**(62,939,460)**	(58,411,010)
Claims incurred but not reported	**(29,506,305)**	(27,766,148)
Unearned premiums	**(60,759,372)**	(57,410,980)
Unexpired risk reserve	**(18,360,464)**	(21,095,254)
Mathematical reserve	**(1,040,432)**	(1,432,971)
	(172,606,033)	(166,116,363)
Insurance contract liabilities – net		
Outstanding claims	**22,146,626**	23,084,001
Unallocated loss adjustment expense reserve	**3,032,755**	2,840,928
Claims incurred but not reported	**21,133,065**	24,843,912
Unearned premiums	**96,999,094**	115,982,202
Unexpired risk reserve	**4,708,639**	2,994,159
Mathematical reserve	**12,934,602**	12,831,508
	160,954,781	182,576,710

As at 31 March 2021, the gross and net insurance contract liabilities as certified by the Company's appointed actuary, LUX Actuaries & Consultants, amounted to AED 334 million and AED 161 million respectively (31 December 2020: AED 349 million and AED 183 million respectively). Claims incurred but not reported have been calculated on a best estimate basis. The actuary used Chain Ladder ("CL"), Bornhuetter-Ferguson ("BF"), Expected Loss Ratios ("ELR") and Cape Cod ("CC") methods to estimate the ultimate claims. After applying each of the methods listed, the actuary took a weighted average of the results of the methods.

9 Insurance and other receivables

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Premium receivable	**129,246,766**	143,696,633
Reinsurance companies' receivables	**21,529,943**	25,877,294
Insurance agents and brokers receivables	**392,495**	392,495
Due from related parties (Note 16.1)	**18,046,446**	26,162,888
Accrual of interest and other income	**8,660,975**	8,640,258
Advances and prepayments	**10,623,752**	10,007,270
Receivable from sale of land and building	**-**	6,552,743
Other receivables	**1,336,540**	696,890
	189,836,917	222,026,471
Less: Allowance for impairment	**(39,564,703)**	(54,708,082)
	150,272,214	167,318,389

Movement in the allowance for impairment was as follows:

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Balance at the beginning of the period / year	**54,708,082**	39,036,998
(Reversal of) / provision for impairment during the period / year	**(4,064,981)**	16,071,084
Write-offs during the period / year	**(11,078,398)**	(400,000)
Balance at the end of the period / year	**39,564,703**	54,708,082

The balances written off during three month period ended 31 March 2021 predominantly relate to receivables that were 100% provided for as at 31 December 2020. The management has assessed those receivables to be non-recoverable during the three month period ended 31 March 2021 and wrote them off.

10 Cash and bank balances

10.1 Cash and cash equivalents

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Cash in hand	**20,478**	28,540
Current accounts with banks	**37,795,528**	19,653,651
Fixed deposits with original maturities of three months or less	**32,500,000**	10,000,000
	70,316,006	29,682,191
Allowance for impairment	**(1,031,655)**	(45,508)
Total cash and cash equivalents	**69,284,351**	29,636,683

10.2 Fixed deposits

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Fixed deposits with original maturities greater than three months	**190,346,663**	180,346,663
Fixed deposits under lien	**950,000**	950,000
Allowance for impairment	**(114,134)**	(118,001)
Total fixed deposits (B)	**191,182,529**	181,178,662

Certain fixed deposits with carrying amount of AED 950,000 as at 31 March 2021 (31 December 2020: AED 950,000) are under lien against letters of guarantee (Note 18).

The interest rates on fixed deposits with banks range between 1% to 4.8%% (31 December 2020: 1% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

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

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Balance at the beginning of the period / year	**163,509**	121,016
Provision for impairment during the period / year	**982,280**	42,493
Balance at for the period / year	**1,145,789**	163,509

11 Share capital

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Authorised, issued and fully paid:		
121.275 million ordinary shares of AED 1 each (31 December 2020: 121.275 million ordinary shares of AED 1 each)	**121,275,000**	121,275,000

12 Statutory reserve

In accordance with U.A.E. Federal Law Number (2) of 2015 and the Company's Articles of Association, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law. Transfers to statutory reserve are reflected at the end of the financial year.

13 Voluntary reserve

As per the Company's Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilised for any other purpose unless approved by the Shareholders' General Assembly. No transfer to voluntary reserve was made during the three-month period ended 31 March 2021 and the year ended 31 December 2020.

14 Reinsurance reserve

In accordance with Article 34 of the Insurance Authority's Board of Directors Decision No. (23) of 2019, the Company has created a Reinsurance Reserve amounting AED 1,185,280 (31 December 2020: AED 949,485), being by appropriate of 0.5% of the total reinsurance premiums ceded during period. The Company shall accumulate such provision year on year and may not release it without the written approval of the Director General of the UAE Insurance Authority.

15 Basic and diluted earnings per share

	For the three month period ended 31 March (Unaudited)	
	2021	**2020**
Profit for the period (in AED)	**3,064,711**	444,940
Number of shares	**121,275,000**	121,275,000
Basic and diluted earnings per share (in AED)	**0.03**	0.004

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

16 Related party balance and transactions

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

16.1 At the end of the reporting period, amounts due from/to related parties were as follows:

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Due from Parent company (premiums receivable)	**11,189,902**	14,987,279
Due from directors (premiums receivable)	**19,959**	25,973
Due from other related parties (premiums receivable)	**6,836,585**	11,149,636
Due to Parent company (commissions payable and others)	**(18,650,168)**	(854,420)
Due to other related parties under common control (claims payable)	**(176,014)**	(59,433)
Fixed deposits placed with Parent company	**26,450,000**	36,450,000
Bank balances placed with Parent company	**29,164,952**	18,107,377

Balances due from and to related parties are interest free and repayable on demand.

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

	For the three month period ended 31 March (Unaudited)	
	2021 AED	2020 AED
Gross written premiums (Parent company)	**28,130,819**	14,483,224
Gross written premiums (directors)	**4,655**	15,536
Gross written premiums (other related parties under common control)	**3,039,929**	2,407,198
Claims paid (Parent company)	**(13,303,400)**	(11,691,304)
Claims paid (other related parties under common control)	**(236,390)**	(8,230)
Commission expenses (Parent company)	**(14,591,164)**	(903,361)

During three month period ended 31 March 2021, the Company has sold financial assets at FVTOCI amounting to AED 38 million (31 December 2020: sold financial assets at FVTOCI and FVTPL amounting to AED 53 million and purchased FVTOCI amounting to AED 47 million) through the Parent company to external parties.

16 Related party balance and transactions (continued)

16.3 Key management personnel compensation

	For the three month period ended 31 March (Unaudited)	
	2021	2020
	AED	AED
Board of Directors' remuneration	**222,546**	375,000
Short-term benefits	**1,390,149**	1,500,238
Long-term benefits	**57,034**	46,152
	1,669,729	1,921,390

17 Insurance and other payables

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Payables to third party administrators and suppliers	**26,091,968**	28,230,790
Reinsurance companies' payables	**23,020,079**	27,591,653
Due to related parties (Note 16.1)	**18,826,182**	913,853
Accrued expenses	**15,250,880**	16,710,717
Employees' benefits payable	**519,658**	2,257,841
Commissions payable	**15,937,034**	17,534,856
Other payable balances	**5,395,985**	4,644,679
Dividends payable	**1,925,372**	1,945,372
	106,967,158	99,829,761

18 Contingent liabilities

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Letters of guarantee	**10,567,560**	10,619,972

Letters of guarantee includes AED 10 million (31 December 2020: AED 10 million) issued in favor of the Insurance Authority.

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

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

19 Dividend and directors' remuneration

At the Annual General Meeting held on 14 April 2021, the shareholders approved a dividend distribution of 8 fils per share resulting in a total dividend payable of AED 9,702,000 for the year ended 31 December 2020 and Board of Directors' remuneration of AED 1,347,546 (2020: at the Annual General Meeting held on 31 March 2020, the shareholders approved 5% bonus share of AED 5,775,000 and Board of Directors' remuneration of AED 0.35 million for the year ended 31 December 2019).

20 Deferred acquisition cost

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Balance at the beginning of the period / year	**24,088,139**	33,296,302
Acquisition costs paid during the period / year	**22,110,338**	72,579,564
Amortisation charge for the period / year	**(22,745,387)**	(81,787,727)
Balance at the end of the period / year	**23,453,090**	24,088,139

Of the deferred acquisition costs balance as at 31 March 2021, AED 15,588,269 (31 December 2020: AED 15,368,167) is expected to be amortised no more than 12 months after the reporting period and AED 7,864,821 (31 December 2020: AED 8,719,973) is expected to be amortised more than 12 months after the reporting period.

In accordance with the UAE Insurance Authority Board of Directors' Decision no. (49) of 2019, the Company amended the accounting for the Credit Life policies sold through the Parent company with effect from 1 May 2020. The in-force policies were treated in accordance with 'IA Board of Director's Decision No. 49', Article 15 of the UAE Insurance Authority Board of Directors' Decision no. (49) of 2019. This has resulted in an increase in gross written premiums and a corresponding increase in commission expense payable to the Parent company. New policies written after 16 October 2020 will follow the commission caps stipulated by the regulation.

21 Deferred commission income

	As at 31 March 2021 (Unaudited) AED	As at 31 December 2020 (Audited) AED
Balance at the beginning of the period / year	**19,240,758**	24,611,953
Commission received during the period / year	**3,239,500**	15,432,999
Commission income earned during the period / year	**(4,338,213)**	(20,804,194)
Balance at the end of the period / year	**18,142,045**	19,240,758

Of the deferred commission income balance as at 31 March 2021, AED 10,197,741 (31 December 2020: AED 10,249,870) is expected to be earned no more than 12 months after the reporting period and AED 7,944,304 (2020: AED 8,990,888) is expected to be earned more than 12 months after the reporting period.

22 Net insurance premium revenue

	For the three month period ended 31 March (Unaudited)	
	2021	2020
	AED	AED
Gross written premiums		
Gross written premiums	**105,596,517**	122,064,684
Change in unearned premiums (Note 8)	**15,634,716**	33,577,115
Change in unexpired risk reserve ("URR") (Note 8)	**1,020,310**	(11,708,466)
	122,251,543	143,933,332
Reinsurance premiums ceded		
Reinsurance premiums ceded	**(47,158,963)**	(36,484,392)
Change in reinsurance share of unearned premiums (Note 8)	**3,348,392**	(18,090,513)
Change in reinsurance share of unexpired risk reserve ("URR") (Note 8)	**(2,734,790)**	13,124,899
	(46,545,361)	(41,450,005)
Net insurance premium revenue	**75,706,182**	102,483,327

23 Segment information

The Company is organised into two segments: Life and Medical as one segment and Motor and General as the other segment.

These segments are the basis on which the Company reports its primary segment information to the Chief Executive Officer. Gross written premiums represents the total income arising from insurance contracts. The Company does not conduct any business outside the UAE. There are no transactions between the business segments.

The following is an analysis of the Company's statement of profit or loss classified by major segments:

	Three months period ended 31 March 2021 (Unaudited)		
	Life and Medical AED	**Motor and General AED**	**Total AED**
Gross written premiums	73,135,253	32,461,264	105,596,517
Net insurance premium revenue earned	**60,100,188**	**15,605,994**	**75,706,182**
Net claims settled	**(46,860,512)**	**(5,784,679)**	**(52,645,191)**
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	3,393,304	959,997	4,353,301
Net claims incurred	**(43,467,208)**	**(4,824,682)**	**(48,291,890)**
Commission earned	1,302,324	3,035,889	4,338,213
Commissions incurred	(18,667,500)	(4,077,887)	(22,745,387)
Net commission incurred	**(17,365,176)**	**(1,041,998)**	**(18,407,174)**
Gross underwriting (loss) / income	**(732,196)**	**9,739,314**	**9,007,118**
General and administrative expenses	(7,186,640)	(5,971,050)	(13,157,690)
Release of provision for impairment	(524,451)	3,811,015	3,286,564
Net underwriting (loss) / income	**(8,443,287)**	**7,579,279**	**(864,008)**
Income from investments	804,807	3,123,912	3,928,719
(Loss) / profit for the period	**(7,638,480)**	**10,703,191**	**3,064,711**

23 Segment information (continued)

	Three months period ended 31 March 2020 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Gross written premiums	84,787,946	37,276,738	122,064,684
Net insurance premium revenue earned	88,900,261	13,583,066	102,483,327
Net claims settled	(70,602,827)	(5,836,534)	(76,439,361)
Net change in outstanding claims, unallocated loss adjustment expenses, mathematical reserves and claims incurred but not reported ("IBNR") provisions	(2,194,584)	(347,324)	(2,541,908)
Net claims incurred	(72,797,411)	(6,183,858)	(78,981,269)
Commission earned	1,509,763	4,055,526	5,565,289
Commissions incurred	(9,644,817)	(3,673,274)	(13,318,091)
Net commission incurred	(8,135,054)	382,252	(7,752,802)
Gross underwriting income	7,967,796	7,781,460	15,749,256
General and administrative expenses	(7,033,343)	(5,873,962)	(12,907,305)
Allowance for impairment	(1,935,022)	(609,987)	(2,545,009)
Net underwriting (loss) / income	(1,000,569)	1,297,511	296,942
Income from investments	816,906	580,973	1,397,879
Other expenses	(681,075)	(568,806)	(1,249,881)
(Loss) / profit for the period	(864,738)	1,309,678	444,940

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

	As at 31 March 2021 (Unaudited)		
	Life and Medical AED	Motor and General AED	Total AED
Total assets	**285,301,700**	**385,435,172**	**670,736,872**
Total equity	**(3,937,003)**	**209,806,722**	**205,869,719**
Total liabilities	**289,238,703**	**175,628,450**	**464,867,153**

	As at 31 December 2020 (Audited)		
	Life and Medical AED	Motor and General AED	Total AED
Total assets	289,410,510	387,493,385	676,903,895
Total equity	3,701,475	199,374,542	203,076,018
Total liabilities	285,709,035	188,118,842	473,827,877

24 Fair value measurements

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

24.1 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the condensed interim financial information approximate their fair values except for financial investments measured at fair value through other comprehensive income cost of which fair value is determined based on the quoted market prices and disclosed in Note 6 of this condensed interim financial information.

24.2 Fair value of financial instruments carried at fair value

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

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

24.2.2 Fair value measurements recognised in the condensed interim statement of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

The following table provides an analysis of financial and non- financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

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

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

24 Fair value measurements (continued)

24.2 Fair value of financial instruments carried at fair value (continued)

24.2.2 Fair value measurements recognised in the condensed interim statement of financial position (continued)

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

Financial assets	Fair value as at 31 March 2021 (Unaudited) AED	Fair value as at 31 December 2020 (Audited) AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
FVTOCI:						
Quoted debt securities	12,289,633	57,499,288	Level 1	Quoted bid prices in an active market	None	N/A
Quoted equity securities	16,218,304	15,407,141	Level 1	Quoted bid prices in an active market	None	N/A

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

25 Covid-19 and the current economic situation

The spread of coronavirus (COVID-19) since early 2020 has resulted in macro-economic uncertainty across all sectors of the economy due to the price and demand for oil, reduced economic activity, disruption to global supply chains and the potential postponement of large scale events. Despite the lockdowns being lifted and activities resuming to the “new normal” in the United Arab Emirates during the second half of 2020, the full impact of COVID-19 on the economy cannot be reliably measured. Consistent with the market sentiment, management expects that the uncertain future macro-economic environment could impact the earnings, cash flows and financial condition of the Company as well as those of our counter parties. The Company is monitoring these metrics on a regular basis and will respond to any threats identified.

As at condensed interim statement of financial position date, the Company had 65 reported medical claims in relation to COVID-19. The net exposure during the three month period ended 31 March 2021 of the medical COVID-19 claims amounted to AED 851,412. As at the date of the condensed interim statement of financial position, the Company has been notified of two business interruption claims, which are immaterial to the condensed interim financial information for the three month period ended 31 March 2021. The impact on life insurance is minimal at this point. The Company is closely monitoring its loss experience and adjusting the technical reserves where appropriate.

Management has increased its focus on managing its cash flows and collections on outstanding receivables. This is reflected in the improved ageing of receivables as at 31 March 2021 as compared to 31 December 2020.

The Company is continuing with its business continuity and remote working plans and continues to provide services to its customers within the agreed service level agreements. Further, the Company continues to monitor its liquidity position on a regular basis. This liquidity position along with other parameters are shared with the regulators on a regular basis as part of the Company’s reporting obligations.

26 Subsequent events

Subsequent to the date of financials statements, the company sold three of the four investment properties for a gain of AED 1.4 million. The sale of the fourth villa is expected to be completed in Q2 2021.

Other than the above, there have been no events subsequent to the condensed interim statement of financial position date that would significantly affect the amounts reported in the condensed interim financial information as at and for the three month period ended 31 March 2021.

27 Approval of the condensed interim financial information

The condensed interim financial information were approved by the Board of Directors and authorised for issue on 6 May 2021.