

**AL AMANA INSURANCE AND REINSURANCE
COMPANY LIMITED**

FINANCIAL STATEMENTS

31 DECEMBER 2020





Ernst & Young
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INDEPENDENT AUDITOR’S REPORT TO THE BOARD OF DIRECTORS OF AL AMANA INSURANCE AND REINSURANCE CO. LTD.

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Al Amana Insurance and Reinsurance Co. Ltd. (the “Company”), which comprise the statement of financial position as at 31 December 2020, and the statement of income, the 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 present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF AL AMANA INSURANCE AND REINSURANCE CO. LTD. (continued)

Report on the Audit of Financial Statements (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF
AL AMANA INSURANCE AND REINSURANCE CO. LTD. (continued)**

Report on the Audit of Financial Statements (continued)

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

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.

A handwritten signature in blue ink, appearing to be 'Sheikha Al Fulaij', written over a horizontal line.

SHEIKHA AL FULAIJ
LICENCE NO. 289 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

13 April 2021
Kuwait

Al Amana Insurance and Reinsurance Company Limited

STATEMENT OF INCOME

For the year ended 31 December 2020

	<i>Notes</i>	2020 USD	2019 USD
Premiums earned		731,392	1,123,315
Reinsurers' share of premiums earned		(251,255)	(283,137)
NET PREMIUMS EARNED	3	480,137	840,178
Claims incurred – charge for the year		727,166	258,901
Reinsurers' share of claims incurred		(691,646)	(530,530)
NET CLAIMS INCURRED (REVERSAL) FOR THE YEAR	4	35,520	(271,629)
Policy acquisition costs	5	14,628	22,474
NET UNDERWRITING RESULT		429,989	1,089,333
Income from financial assets available for sale		-	428,026
Other income		55,376	174,809
General and administrative expenses	6	(494,081)	(1,726,965)
Foreign exchange gain		42,998	47,317
PROFIT FOR THE YEAR		34,282	12,520

The attached notes 1 to 18 form part of these financial statements.

Al Amana Insurance and Reinsurance Company Limited

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	<i>2020</i> <i>USD</i>	<i>2019</i> <i>USD</i>
Profit for the year	34,282	12,520
<i>Items that are or may be reclassified subsequently to statement of income:</i>		
Financial assets available-for-sale:		
- Net unrealised gain	-	20,234
- Realised loss transferred to statement of income	-	(167,175)
Foreign currency translation adjustment	(23,454)	(45,360)
Other comprehensive loss for the year	(23,454)	(192,301)
Total comprehensive income (loss) for the year	10,828	(179,781)

The attached notes 1 to 18 form part of these financial statements.

Al Amana Insurance and Reinsurance Company Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	<i>2020</i> <i>USD</i>	<i>2019</i> <i>USD</i>
ASSETS			
Receivables arising from insurance and reinsurance contracts	7	661,357	93,834
Reinsurance recoverable on outstanding claims	8	8,944,732	9,166,265
Advance reinsurance premiums paid	9	247,074	373,703
Amounts due from a related party	10	-	3,635
Other receivables	11	959,360	982,454
Cash and cash equivalents		3,801,199	6,621,616
TOTAL ASSETS		14,613,722	17,241,507
EQUITY AND LIABILITIES			
Equity			
Share capital	12	1,000,000	1,000,000
Foreign currency translation reserve		451,349	474,803
Retained earnings		937,708	3,763,426
Total equity		2,389,057	5,238,229
Liabilities			
Liabilities arising from insurance contracts:			
Reserve for outstanding claims	8	9,515,476	9,749,551
Total liabilities arising from insurance contracts		9,515,476	9,749,551
Advance premiums received	9	823,723	1,564,026
Payable to insurance companies		691,933	574,281
Amounts due to related parties	10	1,082,694	-
Other liabilities		110,839	115,420
Total liabilities		12,224,665	12,003,278
TOTAL EQUITY AND LIABILITIES		14,613,722	17,241,507



William James O'Shea
Director



Yogesh Kumar Maheshwari
Director

Al Amana Insurance and Reinsurance Company Limited

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	<i>Share capital USD</i>	<i>Cumulative changes in fair value USD</i>	<i>Foreign currency translation reserve USD</i>	<i>Retained earnings USD</i>	<i>Total USD</i>
At 1 January 2020	1,000,000	-	474,803	3,763,426	5,238,229
Profit for the year	-	-	-	34,282	34,282
Other comprehensive loss for the year	-	-	(23,454)	-	(23,454)
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Total comprehensive loss for the year	-	-	(23,454)	34,282	10,828
Dividend paid (Note 12)	-	-	-	(2,860,000)	(2,860,000)
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At 31 December 2020	1,000,000	-	451,349	937,708	2,389,057
	=====	=====	=====	=====	=====
At 1 January 2019	1,000,000	146,941	520,163	26,022,623	27,689,727
Profit for the year	-	-	-	12,520	12,520
Other comprehensive loss for the year	-	(146,941)	(45,360)	-	(192,301)
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Total comprehensive loss for the year	-	(146,941)	(45,360)	12,520	(179,781)
Dividend paid	-	-	-	(22,271,717)	(22,271,717)
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At 31 December 2019	1,000,000	-	474,803	3,763,426	5,238,229
	=====	=====	=====	=====	=====

The attached notes 1 to 18 form part of these financial statements.

Al Amana Insurance and Reinsurance Company Limited

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	<i>Notes</i>	2020 <i>USD</i>	2019 <i>USD</i>
OPERATING ACTIVITIES			
Profit for the year		34,282	12,520
<i>Adjustments to reconcile profit for the year to net cash flows:</i>			
Income from financial assets available for sale		-	(428,026)
Interest income		(53,859)	(173,487)
Amortisation of advance reinsurance premium paid	9	126,629	138,940
Amortisation of advance reinsurance premium received	9	(740,303)	(1,135,651)
Reinsurance recoverable on outstanding claims	4	221,533	(310,842)
Reserve for outstanding claims	4	(234,075)	52,299
		(645,793)	(1,844,247)
<i>Working capital changes:</i>			
Receivables arising from insurance and reinsurance contracts		(567,523)	177,320
Amounts due from related parties		3,635	13,900
Other receivables		13,400	3,191
Payable to insurance companies		117,652	259,535
Amounts due to related parties		1,082,694	(8,685,944)
Other liabilities		(4,581)	(1,642,048)
Net cash used in operating activities		(516)	(11,718,293)
INVESTING ACTIVITIES			
Proceeds from disposal of financial assets available-for-sale		-	607,234
Interest income received		63,553	126,581
Net cash flow from investing activities		63,553	733,815
FINANCING ACTIVITY			
Dividend paid		(2,860,000)	(22,271,717)
Cash used in financing activity		(2,860,000)	(22,271,717)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(2,796,963)	(33,256,195)
Foreign currency translation adjustment		(23,454)	(45,360)
Cash and cash equivalents at 1 January		6,621,616	39,923,171
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		3,801,199	6,621,616

The attached notes 1 to 18 form part of these financial statements.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1 CORPORATE INFORMATION

Al Amana Insurance and Reinsurance Company Limited (the “Company”) is registered as a Class 2 insurer and is incorporated in the Islands of Bermuda. The Company is a long-term insurer under The Bermuda Insurance Act 1978 and related regulations, (the “Act”), which requires the Company to file a statutory financial return and maintain certain measures of solvency and liquidity during the year.

The Company is a wholly owned subsidiary of Alamana Industries Company S.A.K. (Closed), a closed shareholding company incorporated in the State of Kuwait (the “Parent Company”). The Company derives the majority of its underwriting income from the insurance and reinsurance of certain risks of its affiliated companies and their customers.

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 13 April 2021.

2.1 BASIS OF PREPARATION

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

Basis of preparation

The financial statements are prepared under the historical cost convention modified for the measurement of financial assets available-for-sale at fair value.

The financial statements have been presented in United States dollar (USD). However, the functional currency of the Company is Kuwaiti Dinars (KD) since the underwriting business and related assets and liabilities are denominated in KD.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 14.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies used in the preparation of the financial statements are consistent with those used in previous year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2020 did not have any material impact on the accounting policies, financial position or performance of the Company.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following IASB Standards relevant to the Company have been issued but are not yet mandatory are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

During 2017, the Company performed an impact assessment of all three aspects of IFRS 9. This preliminary assessment was based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position, statement of income or statement of comprehensive income except for the effect of applying the impairment requirements of IFRS 9. The Company expects a higher loss allowance resulting in a negative impact on equity and will perform a detailed assessment in the future to determine the extent. The Company meets the eligibility criteria of the temporary exemption from IFRS 9 and intends to defer the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023, applying the temporary exemption from applying IFRS 9 as introduced by the amendments (see below).

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments 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 outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

a) Classification and measurement

All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under IAS 39.

b) Impairment

Financial assets measured at amortised cost, receivables arising from reinsurance contracts and premium accruals, reinsurance recoverable on outstanding claims and other receivables will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognise lifetime expected credit losses for its receivables as permitted by IFRS 9.

The Company anticipates that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of loss allowance recognised for these items.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 9 Financial Instruments (continued)

Hedge accounting

IFRS 9's hedge accounting requirements are designed to align the accounting more closely to the risk management framework; permit a greater variety of hedging instruments; and remove or simplify some of the rule-based requirements in IAS 39. The elements of hedge accounting: fair value, cash flow and net investment hedges are retained.

The new hedge accounting requirements will align more closely with the Company's risk management policies. When initially applying IFRS 9, the Company has the option to continue to apply the hedge accounting requirements of IAS 39 instead of the requirements in IFRS 9. However, the Company determined that any hedge relationships that would currently be designated in effective hedging relationships would continue to qualify for hedge accounting under IFRS 9. The Company does not have any hedging transactions and hence application of the IFRS 9 hedge accounting requirements will not have a material impact on the Company's financial statements.

c) Disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of IFRS 9.

Overall, the Company performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Management of the Company concluded that the impact is not material on its statement of financial position, statement of income or statement of comprehensive income.

Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17).

The amendments introduce two alternative options of applying IFRS 9 for entities issuing contracts within the scope of IFRS 4: a temporary exemption; and an overlay approach. The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial assets and liabilities. An entity may apply the temporary exemption from IFRS 9 if: (i) it has not previously applied any version of IFRS 9, other than only the requirements for the presentation of gains and losses on financial liabilities designated as FVPL; and (ii) its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The overlay approach allows an entity applying IFRS 9 to reclassify between profit or loss and other comprehensive income an amount that results in the profit or loss at the end of the reporting period for certain designated financial assets being the same as if an entity had applied IAS 39 to these designated financial assets.

During 2017, the Company performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 December 2018. The Company applied the temporary exemption from IFRS 9 and, therefore, continue to apply IAS 39 to its financial assets and liabilities in its reporting period starting on 1 January 2018.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure, which replaces IFRS 4 Insurance Contracts.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies for measurement purposes, IFRS 17 provides a comprehensive model (the general model) for insurance contracts, supplemented by the variable fee approach for contracts with direct participation features that are substantially investment-related service contracts, and the premium allocation approach mainly for short-duration which typically applies to certain non-life insurance contracts.

2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 17 Insurance Contracts (continued)

The main features of the new accounting model for insurance contracts are, as follows:

- ▶ The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- ▶ A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts. The CSM represents the unearned profitability of the insurance contracts and is recognised in profit or loss over the service period (i.e., coverage period)
- ▶ Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contractual service period
- ▶ The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- ▶ The recognition of insurance revenue and insurance service expenses in the profit or loss based on the concept of services provided during the period
- ▶ Amounts that the policyholder will always receive, regardless of whether an insured event happens (non-distinct investment components) are not presented in the income statement, but are recognised directly on the balance sheet
- ▶ Insurance services results (earned revenue less incurred claims) are presented separately from the insurance finance income or expense
- ▶ Extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts

IFRS 17 is effective for annual 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. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is impracticable, then the entity is required to choose either a modified retrospective approach or a fair value approach.

The Company plans to adopt the new standard on the required effective date together with IFRS 9. The Company is in the process of quantifying the impact of this standard on its financial statements; however, it does not expect any significant impact when adopted.

Other new or amended standards which are issued but not yet effective, are not relevant to the Company and have no impact on the accounting policies, financials position or performance of the Company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment, excluding discounts and rebates. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

Premiums earned

Premiums earned, with the exception of credit life premiums, are taken into income over the terms of the reinsurance contract to which they relate on a pro-rata basis. Unearned premiums represent the portion of net premiums written relating to the unexpired period of coverage. The change in provision for unearned premiums is taken to the profit or loss in order that revenue is recognised over the period of risk.

Premiums received on credit life risks have been classified as short duration contracts and are recognised as income over the period of risk in proportion to the amount of insurance protection provided. The portion of premiums received that will be recorded as income in future periods, less the related cost of reinsurance, is recorded as 'advance premium received' and the amount paid to reinsurers is recorded as 'advance reinsurance premium paid' in the statement of financial position at the reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance premiums

Reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

Unearned reinsurance premiums represent the proportions of net premiums ceded relating to the unexpired period of coverage. Unearned reinsurance premiums are deferred over the term of the reinsurance contract.

Claims incurred and reserve for outstanding claims

Claims, comprising amounts paid during the year and payable to contract holders and third parties at the end of the year, incurred but not reported claims and related loss adjustment expenses, net of salvage and other recoveries, are charged to the profit or loss as incurred.

The reserve for outstanding claims comprises of the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Reserves for reported claims not paid as at the reporting date is made on the basis of individual case estimates and on management's judgement.

The Company generally estimates its claims incurred but not reported based on previous experience and a provision based on management's judgement is maintained for the cost of settling claims incurred but not reported at the reporting date. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the profit or loss for that year.

Reinsurance claims

Reinsurance recoverable claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Reserve for unearned premiums

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Commissions earned

Commissions earned are recognised at the time of recognition of the related premiums.

Interest income

Interest income is recognised as the interest accrues, using the effective interest rate method.

Policy acquisition costs

Commissions paid to intermediaries and other (incremental) direct costs incurred in relation to the acquisition and renewal of insurance contracts is deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred. Subsequent to initial recognition, the deferred policy acquisition costs (DAC) are amortised over the life of the contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amounts is less than the carrying value, an impairment loss is recognised in the profit or loss. DAC is also considered in the liability adequacy test for each reporting period.

DAC are derecognised when the related contracts are settled or disposed of.

Liability adequacy test

At each reporting date the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities (less related deferred policy acquisition costs) is inadequate in light of estimated future cash flows, the entire deficiency is immediately recognised in the profit or loss and an unexpired risk provision is created.

The Company does not discount its liability for unpaid claims as substantially all claims are expected to be paid within one year of the reporting date.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Product classification***Insurance contracts*

Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can however be reclassified as insurance contracts after inception, if insurance risk becomes significant.

Reinsurance

In the ordinary course of business, the Company assumes and cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. Reinsurance is affected under treaty, facultative and excess-of-loss reinsurance contracts. Failure of re-insurers to honour their obligations could result in losses to the Company; consequently necessary allowances as estimated by management are established for amounts deemed uncollectible. Ceded reinsurance is treated as the risk and liability of the assuming companies. The re-insurers' portion of loss reserves are estimated in a manner consistent with the claim liability associated with the reinsured policy.

At each reporting date, the Company assesses whether there is any indication that a reinsurance asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of a reinsurance asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Company also assumes reinsurance risk in the normal course of business for life insurance and non-life insurance contracts when applicable. Premiums and claims on assumed reinsurance are recognised as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the associated reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Financial instruments**Financial assets****Initial recognition and measurement**

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or financial assets available-for-sale, as appropriate. The Company determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs except, in the case of financial assets recorded at fair value through profit or loss.

A "regular way" purchase of financial assets is recognised using the trade date accounting. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

The Company's financial assets include cash and cash equivalents, receivables arising from insurance and reinsurance contracts, amount due from a related party, other receivables and financial assets available-for-sale.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets available-for-sale

Financial assets available-for-sale are non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, financial assets held-to-maturity or loans and receivables. Financial assets available-for-sale include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time that may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

After initial recognition, financial assets available-for-sale are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of comprehensive income, or determined to be impaired, at which time the cumulative loss is reclassified to the statement of comprehensive income.

Financial assets available-for-sale whose fair value cannot be reliably measured are carried at cost less impairment loss.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company assesses at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loan and borrowings, as appropriate. The Company determines the classification of its financial liabilities at initial recognition.

Financial liabilities are recognised initially at fair value and in the case of loans and borrowings, directly attributable transaction costs.

The Company's financial liabilities include payable to insurance companies, amount due to related parties and other liabilities.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Other liabilities

Other liabilities are stated at their cost. Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Derecognition

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

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

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.

Fair value measurement

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents consist of bank balances and short term money market investments with an original maturity of three months or less.

Outstanding claims reserve

Outstanding claims comprise the estimated cost of claims incurred and reported but not settled at the reporting date. Provisions for reported claims not paid as at the reporting date is made on the basis of individual case estimates.

Any difference between the provisions at the reporting date and settlements and provisions in the following year is included in the underwriting account for that year.

Unearned premiums reserve

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

Life mathematical reserve

The reserve for the life business at the reporting date represents the mathematical liability of policies in force at that date as determined by the Company's actuaries.

Incurred but not reported claim reserve (IBNR)

The additional reserve includes amounts reserved for claims incurred but not reported at the reporting date in addition to other contingencies and any differences that may arise. Provision based on management's judgement and the Company's prior experience is maintained for the cost of settling claims incurred but not reported at the reporting date.

Provisions

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

Contingencies

Contingent liabilities are not recognised in the statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the statement of financial position, but are disclosed when an inflow of economic benefits is probable.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

Transactions in foreign currencies are measured in the functional currency of the Company and are recorded on initial recognition in the functional currency at exchange rates approximately those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The assets and liabilities and the results of the Company are translated into the presentation currency as follows:

- a) assets and liabilities presented are translated at the closing rate at the date of that statement of financial position;
- b) income and expenses are translated at average exchange rates during the year; and
- c) all resulting exchange differences are recognised as a separate component of other comprehensive income.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about the assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

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.

Non-life insurance contract liabilities

For non-life insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date, provision for outstanding claims (OCR) and for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques.

The main assumption underlying these techniques is that a Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident years, but can also be further analysed by geographical area, as well as by significant business lines and claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjustor estimates or separately projected in order to reflect their future development. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historic 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 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 the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved. A margin for adverse deviation may also be included in the liability valuation.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2.5 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions (continued)

Non-life insurance contract liabilities (continued)

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate large claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a periodic basis.

Life insurance contract liabilities (Life mathematical reserve)

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Company base mortality and morbidity tables on standard industry and national tables which reflect historical experiences, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to life style, could result in significant changes to the expected future mortality exposure.

Reinsurance

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

Judgements

Impairment losses on receivables arising on insurance and reinsurance

The Company reviews its problem receivables on a quarterly basis to assess whether a provision for impairment should be recorded in the profit or loss. In particular, considerable judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty, and actual results may differ resulting in future changes to such provisions.

Impairment of premiums and insurance receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due.

Provision for outstanding claims

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.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends.

3 NET PREMIUMS EARNED

	<i>2020</i>	<i>2019</i>
	<i>USD</i>	<i>USD</i>
Gross premiums	731,392	1,123,315
Movement in unearned premiums	-	-
Gross premiums earned	731,392	1,123,315
Premiums ceded	(251,255)	(283,137)
Movement in reinsurance share of unearned premiums	-	-
Reinsurer's share of premiums earned	(251,255)	(283,137)
Net premiums earned	480,137	840,178

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

4 NET CLAIMS INCURRED

	<i>Gross claims USD</i>	<i>Reinsurers' share USD</i>	<i>Net claims USD</i>
2020			
Claims paid during the year	961,241	(913,179)	48,062
Movement in outstanding claims (Note 8)	(234,075)	221,533	(12,542)
Net claims incurred	727,166	(691,646)	35,520
2019			
Claims paid during the year	206,602	(219,688)	(13,086)
Movement in outstanding claims (Note 8)	52,299	(310,842)	(258,543)
Net claims reversed	258,901	(530,530)	(271,629)

5 POLICY ACQUISITION COSTS

	<i>2020 USD</i>	<i>2019 USD</i>
Expenses incurred/ amortised during the year	14,628	22,474

6 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2020 USD</i>	<i>2019 USD</i>
Management fees (Note 10)	326,562	1,481,258
Investment expenses	-	101,123
Professional fees	71,772	65,636
Consultant fees	57,277	51,173
Others	38,470	27,775
	494,081	1,726,965

7 RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS

	<i>2020 USD</i>	<i>2019 USD</i>
Claims receivable	661,357	93,834

As at 31 December 2020, the Company made a provision of **USD 26,612** (2019: USD 26,630) on claims receivable. Movement in impairment of claims receivable is as follows:

	<i>Collectively impaired</i>	
	<i>2020 USD</i>	<i>2019 USD</i>
As at 1 January	(26,630)	(26,621)
Exchange adjustment	18	(9)
	(26,612)	(26,630)

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

7 RECEIVABLES ARISING FROM INSURANCE AND REINSURANCE CONTRACTS (continued)

As at 31 December, the ageing of unimpaired claims receivable is as follows:

	<i>Neither past due nor impaired</i>	<i>Past due but not impaired</i>		<i>Total</i>
		<i>< 30 days</i>	<i>31 to 60 days</i>	
		<i>USD</i>	<i>USD</i>	
2020	-	-	661,357	661,357
2019	-	-	93,834	93,834

Unimpaired claims receivable are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over claims receivable.

8 LIABILITIES AND ASSETS ARISING FROM INSURANCE CONTRACTS

<i>2020</i>	<i>Motor and general accident*</i>	<i>Life & medical</i>	<i>Total</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Outstanding claim reserve:			
Net balance at beginning of the year	328	582,958	583,286
Incurred during the year	-	35,680	35,680
Paid during the year	-	(48,062)	(48,062)
Net movement in IBNR	(328)	168	(160)
Net balance at end of the year	-	570,744	570,744
Represented by:			
Gross balance at end of the year	-	9,515,476	9,515,476
Reinsurance recoverable on outstanding claims	-	(8,944,732)	(8,944,732)
Net balance at end of the year	-	570,744	570,744
<i>2019</i>	<i>Motor and general accident*</i>	<i>Life & medical</i>	<i>Total</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>
Outstanding claim reserve:			
Net balance at beginning of the year	160,248	681,581	841,829
Incurred (Reversed) during the year	-	(68,001)	(68,001)
Received during the year	-	5,474	5,474
Net movement in IBNR	(159,920)	(36,096)	(196,016)
Net balance at end of the year	328	582,958	583,286
Represented by:			
Gross balance at end of the year	3,297	9,746,254	9,749,551
Reinsurance recoverable on outstanding claims	(2,969)	(9,163,296)	(9,166,265)
Net balance at end of the year	328	582,958	583,286

*Motor and general accident includes workmen compensation.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

9 ADVANCE PREMIUMS RECEIVED

Advance premiums relate to credit life risks on which premium written is recognised on an annual basis. These contracts cover risk periods between 2 and 20 years. Advance premiums received are stated net of the related prepaid reinsurance premiums ceded in the amount of USD **373,703** (2019: USD 512,643). Advance premiums will be recorded as income over the period of risk in proportion to the amount of insurance provided.

	2020			2019		
	<i>Gross advance premium USD</i>	<i>Reinsurer's share of advance premium USD</i>	<i>Net USD</i>	<i>Gross advance premium USD</i>	<i>Reinsurer's share of advance premium USD</i>	<i>Net USD</i>
At 1 January	1,564,026	(373,703)	1,190,323	2,699,677	(512,643)	2,187,034
Amortised/paid during the year	(740,303)	126,629	(613,674)	(1,135,651)	138,940	(996,711)
At 31 December	823,723	(247,074)	576,649	1,564,026	(373,703)	1,190,323

The projected earning of the net advance premiums received is as follows:

	2020 USD	2019 USD
To be earned - within 1 year	206,228	613,030
After 1 year through 5 years	370,421	577,293
	576,649	1,190,323

10 RELATED PARTIES DISCLOSURES

These represent transactions with related parties, i.e. shareholders and senior management of the Company and the Parent Company, and entities which they control or over which they exert significant influence. Pricing policies and terms of these transactions are approved by the Company's management.

Transactions with related parties included in the financial statements for the year ended 31 December are as follows:

	2020 USD	2019 USD
Charges for services rendered included under general and administrative expenses (Note 6)	326,562	1,481,258
Portfolio management fee	-	76,283

Balances with related parties included in the statement of financial position are as follows:

	2020 USD	2019 USD
Receivable arising from insurance contracts	-	3,635
Amount due to related parties		
Payable arising from insurance contracts	753,042	-
Management and service fee payable	329,652	-
	1,082,694	-

Transaction and balances with related parties represents entities under common control.

Amount due from/ due to related parties represents transactions with related parties in the normal course of business that are receivable/repayable on demand and do not carry interest.

Key management remuneration:

Key management personnel services are provided to the Company by a related party, which charges fee for this and other services, as disclosed under charges for services rendered, above.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

11 OTHER RECEIVABLES

	<i>2020</i>	<i>2019</i>
	<i>USD</i>	<i>USD</i>
Funds held by ceding reinsurer	742,835	743,325
Interest receivable	189,253	198,948
Prepaid expenses	27,272	40,181
	959,360	982,454

Funds held by ceding reinsurer represent interest bearing deposits with effective interest rate of 2.5% (2019: 2.5%) per annum.

12 EQUITY

- (a) The authorised, issued and fully paid share capital of the Company consists of 10,000 (2019: 10,000) shares of USD 100 each (2019: USD 100 each), paid in cash
- (b) Distributions to shareholders are restricted to the extent that such a distribution would not result in the Company not meeting the required Minimum General Business Solvency Margin or the required Minimum Liquidity Ratio. On 10 August 2020, the annual general meeting of the Company approved cash dividend aggregating to USD 2,860,000 to the Company's registered shareholder (representing 286 USD per share).

13 SEGMENT INFORMATION

For management purposes, the Company is organised into two segments i.e. general risk insurance and life insurance. There are no inter-segment transactions. The general risk insurance has been classified as follows:

Motor and general accident - motor third party, motor comprehensive, extended warranty, general accident and engineering and special contingency

2020	<i>Motor and general accident USD</i>	<i>Life insurance USD</i>	<i>Total USD</i>
Net premiums earned	(358)	480,495	480,137
Net underwriting result	(32)	430,021	429,989
Unallocated income			98,374
Unallocated expenses			(494,081)
Profit for the year			34,282
Segment assets	-	10,812,523	10,812,523
Unallocated assets	-	-	3,801,199
Total assets	-	10,812,523	14,613,722
Segment liabilities	-	11,090,121	11,090,121
Unallocated liabilities	-	-	1,134,777
Total liabilities		11,090,121	12,224,898

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13 SEGMENT INFORMATION (continued)

2019	<i>Motor and general accident USD</i>	<i>Life insurance USD</i>	<i>Total USD</i>
Net premiums earned	-	840,178	840,178
Net underwriting result	167,173	922,160	1,089,333
Unallocated income			650,152
Unallocated expenses			(1,726,965)
Profit for the year			12,520
Segment assets	2,969	10,613,287	10,616,256
Unallocated assets	-	-	6,625,251
Total assets			17,241,507
Segment liabilities	3,297	11,884,561	11,887,858
Unallocated liabilities	-	-	115,420
Total liabilities			12,003,278

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk, insurance risk, reinsurance risk and market risk, the latter being subdivided into interest rate risk, foreign currency risk and equity price risk. They are monitored through the Company's strategic planning process.

The Company's financial liabilities include payable to insurance companies, amount due to related parties and other liabilities. The Company's financial assets include cash and cash equivalents, receivables arising from insurance and reinsurance contracts, amount due from a related party, other receivables and financial assets available-for-sale.

The management of the Company is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles.

The management of the Company reviews and agrees policies for managing each of these risks which are summarised below.

(a) Insurance risk

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The majority of insurance business ceded is placed on a quota share basis with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Company has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Company's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Company substantially dependent upon any single reinsurance contract.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Insurance risk (continued)

Insurance risk is divided into risk of life insurance contracts and risk of non life insurance contracts as follows:

(1) Life insurance contracts

Life insurance contracts offered by the Company include only term insurance. Term insurance are conventional regular premium products when lump sum benefits are payable on death or permanent disability.

The main risks that the Company is exposed to are as follows.

- Mortality risk - risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk - risk of loss arising due to policyholder health experience being different than expected.
- Expense risk - risk of loss arising from expense experience being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Company.

The table below sets out the concentration of life insurance contracts by type of contract.

Concentration of insurance contract liabilities by type of contract:

	2020			2019		
	<i>Gross liabilities</i>	<i>Reinsurer share of liabilities</i>	<i>Net liabilities</i>	<i>Gross liabilities</i>	<i>Reinsurer share of liabilities</i>	<i>Net liabilities</i>
	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>	<i>USD</i>
Group life, disability and medical	-	-	-	643	-	643
Group credit life	9,515,476	(8,944,732)	570,744	9,745,611	(9,163,296)	582,315
	<u>9,515,476</u>	<u>(8,944,732)</u>	<u>570,744</u>	<u>9,746,254</u>	<u>(9,163,296)</u>	<u>582,958</u>

Key assumptions

Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

Life insurance contract estimates are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Assumptions are made in relation to future deaths, voluntary terminations, investment returns and administration expenses. If the liabilities are not adequate, the assumptions are altered to reflect the current estimates.

(2) Non-life insurance contracts

The Company principally issues the following types of general insurance contracts: marine, motor and general accident and fire. Risks under non-life insurance policies usually cover twelve month duration.

Insurance contracts at times also cover risk for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risk that may involve significant litigation.

These risks do not vary significantly in relation to the location of the risk insured by the Company, type of risk insured and by industry.

The Company has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (i.e. fire line of business). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes to a pre-determined maximum amount based on the Company's risk appetite as decided by management.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Insurance risk (continued)

(2) Non-life insurance contracts (continued)

The table below sets out the concentration of non-life insurance contract liabilities by type of contract:

Concentration of insurance contract liabilities by type of contract:

	2020			2019		
	Gross liabilities USD	Reinsurer share of liabilities USD	Net Liabilities USD	Gross liabilities USD	Reinsurer share of liabilities USD	Net liabilities USD
Motor and general accident	-	-	-	3,297	(2,969)	328

(b) Financial risks

Credit risk

Credit risk is the risk that counterparty will cause a financial loss to the Company by failing to discharge an obligation. Credit risk arises in the Company's normal course of business. The Company has policies and procedures in place to limit the amount of credit exposure to any counter party.

The Company minimises concentrations of credit risk associated with non related parties by undertaking transactions with customers in various industries. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. The maximum exposure for receivables is the carrying amount as disclosed in Note 7. There are no significant concentrations of credit risk from non related parties.

With respect to credit risk arising from other financial assets of the Company, which comprise cash and cash equivalents and other financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Bank balances and deposits are placed with local financial institutions with appropriate credit rating.

The Company retains 5% of the group credit life businesses accepted. In case of group life and medical, the Company retains the risk only to the extent of USD 10,000 and USD 50,000 per claim respectively.

Hence, receivables arising from reinsurance contracts mainly represent the premiums – net of commission and claims – receivable from the cedants under the inward business accepted by the Company. Also the Company places its excess of loss covers protecting its retention with mainly 'A' rated reinsurers. Therefore the Company's credit risk pertaining to reinsurance contracts accepted or placed is minimal.

Further, 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 to minimise its exposure to significant losses from reinsurer insolvencies.

Gross maximum exposure to credit risk

Credit risk arising from the financial assets of the Company comprise financial assets available for sale (unquoted debt securities), receivables arising from insurance and reinsurance contracts, reinsurance recoverable on outstanding claims, amounts due from related parties, other receivables and cash and cash equivalents. The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The table below shows the gross maximum exposure to credit risk across financial assets.

	2020 USD	2019 USD
Receivables arising from insurance and reinsurance contracts	661,357	93,834
Reinsurance recoverable on outstanding claims	8,944,732	9,166,265
Amounts due from related parties	-	3,635
Other receivables (excluding prepaid expenses)	932,088	942,273
Cash equivalents	3,801,199	6,621,616
Gross maximum credit risk exposure	14,339,376	16,827,623

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risks (continued)

Credit risk (continued)

Collateral and other credit enhancements

The Company does not have any collateral or other credit enhancements against any of the financial assets at 31 December 2020 and 31 December 2019.

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

The Company's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the geographical regions as follows:

2020	<i>Kuwait</i> USD	<i>MENA*</i> USD	<i>Others</i> USD	<i>Total</i> USD
Receivables arising from insurance and reinsurance contracts	-	-	661,357	661,357
Reinsurance recoverable on outstanding Claims	-	8,944,732	-	8,944,732
Other receivables (excluding prepaid expenses)	932,088	-	-	932,088
Cash and cash equivalents	-	-	3,801,199	3,801,199
Maximum exposure to credit risk assets	<u>932,088</u>	<u>8,944,732</u>	<u>4,462,556</u>	<u>14,339,376</u>

*Middle East & North Africa region

2019	<i>Kuwait</i> USD	<i>MENA*</i> USD	<i>Others</i> USD	<i>Total</i> USD
Receivables arising from insurance and reinsurance contracts	-	-	93,834	93,834
Reinsurance recoverable on outstanding Claims	-	9,163,296	2,969	9,166,265
Amounts due from related parties	3,635	-	-	3,635
Other receivables (excluding prepaid expenses)	942,273	-	-	942,273
Cash and cash equivalents	-	-	6,621,616	6,621,616
Maximum exposure to credit risk assets	<u>945,908</u>	<u>9,163,296</u>	<u>6,718,419</u>	<u>16,827,623</u>

The Company's gross maximum exposure to credit risk, before taking into account any collateral held or credit enhancements, can be analysed by the following industry sector:

	2020 USD	2019 USD
Insurance companies	10,538,177	10,206,007
Banks and financial institutions	3,801,199	6,621,616
	<u>14,339,376</u>	<u>16,827,623</u>

The Company's assets are not exposed to any major individual counter parties.

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risks (continued)

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. The management monitors liquidity requirements on a daily basis and ensures that sufficient funds are available. The Company has sufficient liquidity and, therefore, do not resort to borrowings in the normal course of business.

The table below summarises the maturity of the financial liabilities of the Company based on remaining undiscounted contractual obligations for 31 December. As the Company does not have any interest bearing liabilities, the figures below agree directly to the statement of financial position amounts.

<i>2020</i>	<i>On demand USD</i>	<i>Within 3 months USD</i>	<i>3 to 12 Months USD</i>	<i>Total USD</i>
Payable to insurance companies	-	-	691,933	691,933
Amounts due to related parties	1,082,694	-	-	1,082,694
Other liabilities	-	-	110,839	110,839
	<u>1,082,694</u>	<u>-</u>	<u>802,772</u>	<u>1,885,466</u>
<i>2019</i>	<i>On demand USD</i>	<i>Within 3 months USD</i>	<i>3 to 12 months USD</i>	<i>Total USD</i>
Payable to insurance companies	-	-	574,281	574,281
Other liabilities	-	-	115,420	115,420
	<u>-</u>	<u>-</u>	<u>689,701</u>	<u>689,701</u>

The table below summarises the maturity profile of the Company's assets and liabilities. The maturities of assets and liabilities have been determined according to when they are expected to be recovered or settled.

The maturity profile of assets and liabilities is as follows:

<i>2020</i>	<i>On demand USD</i>	<i>Within 3 months USD</i>	<i>3 to 12 months USD</i>	<i>Over one year USD</i>	<i>Total USD</i>
Assets					
Receivables arising from insurance and reinsurance contracts	-	-	661,357	-	661,357
Reinsurance recoverable on outstanding claims	-	2,738,204	6,206,528	-	8,944,732
Advance reinsurance premiums paid	-	-	-	247,074	247,074
Other receivables	-	-	189,254	770,106	959,360
Cash and cash equivalents	-	3,801,199	-	-	3,801,199
Total assets	<u>-</u>	<u>6,539,403</u>	<u>7,057,139</u>	<u>1,017,180</u>	<u>14,613,722</u>
Liabilities					
Reserve for outstanding claims	-	2,912,923	6,602,553	-	9,515,476
Advance premiums received	-	-	-	823,723	823,723
Payable to insurance companies	-	-	691,933	-	691,933
Amounts due to related parties	1,082,694	-	-	-	1,082,694
Other liabilities	-	-	110,839	-	110,839
Total liabilities	<u>1,082,694</u>	<u>2,912,923</u>	<u>7,405,325</u>	<u>823,723</u>	<u>12,224,665</u>

AL AMANA INSURANCE AND REINSURANCE COMPANY LIMITED

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk (continued)

Liquidity risk (continued)

2019	On demand USD	Within 3 months USD	3 to 12 months USD	Over one year USD	Total USD
Assets					
Receivables arising from insurance and reinsurance contracts	-	-	93,834	-	93,834
Reinsurance recoverable on outstanding claims	-	2,806,021	6,360,244	-	9,166,265
Advance reinsurance premiums paid	-	-	-	373,703	373,703
Amounts due from related parties	3,635	-	-	-	3,635
Other receivables	-	-	198,948	783,506	982,454
Cash and cash equivalents	-	6,621,616	-	-	6,621,616
Total assets	3,635	9,427,637	6,653,026	1,157,209	17,241,507
Liabilities					
Reserve for outstanding claims	-	2,984,579	6,764,972	-	9,749,551
Advance premiums received	-	-	-	1,564,026	1,564,026
Payable to insurance companies	-	-	574,281	-	574,281
Other liabilities	-	-	115,420	-	115,420
Total liabilities	-	2,984,579	7,454,673	1,564,026	12,003,278

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is mainly exposed to foreign currency risk on its Kuwait Dinars denominated insurance assets and liabilities

The table below indicates the Company's foreign currency exposure at 31 December, as a result of its monetary assets and liabilities. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Kuwaiti Dinar, which is the functional currency of the Company, with all other variables held constant on the profit and the other comprehensive income.

Increase / (decrease) in USD rate to the KD	Effect on profit	
	2020 Increase/ (decrease) USD	2019 Increase/ (decrease) USD
+ 5%	70,610	69,173
- 5%	(70,610)	(69,173)

The exposure to other foreign currencies is not significant to the Company's financial statements.

Sensitivity to currency rate movements will be on a symmetric basis, as financial instruments giving rise to non-symmetric movements are not significant.

14 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Financial risk (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to change in market prices. Market risks arise for open positions in interest rate, currency and equity product, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, and foreign exchange rates..

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's profit or loss is not sensitive to changes in interest rates since at the reporting date, the Company does not have any floating rate assets or liabilities.

Operation risk

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

15 CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares.

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

Capital comprises of equity attributable to the equity holders of the Company and is measured at USD 2,389,057 as at 31 December 2020 (2019: USD 5,238,229).

As of 31 December 2020, the Company met the required Minimum General Business Solvency Margin and the required Minimum Liquidity Ratio.

The required Minimum General Business Solvency Margin as of 31 December 2020 was USD 250,000 (2019: USD 250,000). The Company's statutory capital and surplus at that date was USD 774,446 (2019: USD 2,236,061).

The Minimum Liquidity Ratio is the ratio of the insurer's relevant assets to its relevant liabilities; the minimum allowable ratio is 75%. The Company's relevant assets as of 31 December 2020 were USD 774,446 (2019: USD 2,236,397) and 75% of its relevant liabilities at 31 December 2020 were Nil (2019: USD 248).

Distributions to shareholders are restricted to the extent that such a distribution would result in the Company not meeting the required Minimum General Business Solvency Margin or the required Minimum Liquidity Ratio.

16 TAXATION

Under the current Bermuda Law, the Company is not obliged to pay any taxes in Bermuda on either income or capital gains. The Company has received an undertaking from the Minister of Finance in Bermuda pursuant to the provisions of the Exempted Undertakings Tax Protection Act 1966 which exempts the Company from any such taxes, at least until the year 2035.

17 FAIR VALUE MEASUREMENT

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.

Fair values of all financial instruments are not materially different from their carrying values and approximate their carrying amounts.

18 IMPACT OF COVID-19

The existence of novel corona virus was confirmed in early 2020 and has spread globally, causing disruptions to businesses and economic activity. In light of the rapid spread of COVID-19 across the globe, various economies and sectors have faced significant disruptions and uncertainty as a result of measures taken by governments to contain or delay the spread of the virus. As of to date, the actual scope of the impact is very difficult to measure.

Recoverability of receivables

The COVID-19 outbreak led to a significant increase in the credit risk of companies within the economy as a result of operational disruption. Based on the management, the Company has not identified a material impact to the recoverability of receivables for the year ended 31 December 2020. Fair value measurement of financial instruments COVID-19 outbreak led to significant market turmoil and price volatility on the global financial markets. The Company is closely monitoring whether the fair values of the financial assets and liabilities represent the price that would be achieved for transactions between market participants in the current scenario. Based on the management, the Company has not identified a material impact to the fair values of financial assets and liabilities for the year ended 31 December 2020.

Outstanding claims

The Company expected that there is no material impact on its risk position and provision balances for outstanding claims for the year ended 31 December 2020. It will continue monitoring its claims experience and the developments around the pandemic and revisit the assumptions and methodologies in future reporting periods.

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