ICIEC | THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

PARTNERSHIPS FOR RECOVERY AND IMPACT

2020 FINANCIAL STATEMENTS

ANNUAL REPORT
VOLUME 02

مجموعة البنك الإسلامي للتنمية
Islamic Development Bank Group

THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020 (16 JUMAD AL-AWWAL 1442H)

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INDEPENDENT AUDITOR'S REPORT
YOUR EXCELLENCIES, THE CHAIRMAN AND MEMBERS OF THE BOARD OF GOVERNORS
THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT

Opinion

We have audited the financial statements of The Islamic Corporation for the Insurance of Investment and Export Credit ("the Corporation"), which comprise the statement of financial position as at 31 December 2020 (16 Jumada-I 1442H), and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and supplementary financial information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation 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 (IFRS).

Basis for Opinion

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

Other Information included in the Corporation's 2020 Annual Report

Other information consists of the information included in the Corporation's 2020 annual report, other than the financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The annual report is expected to be made available to us after the date of this auditor's report.

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

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

When we read the other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT
YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS OF THE BOARD OF GOVERNORS
THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (continued)

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 the IFRSs, and the Corporation's Articles of Agreement 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT
YOUR EXCELLENCIES THE CHAIRMAN AND MEMBERS OF THE BOARD OF GOVERNORS
THE ISLAMIC CORPORATION FOR THE INSURANCE OF INVESTMENT AND EXPORT CREDIT (continued)

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

- 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 Corporation'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 Corporation to cease to continue as a going concern.

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

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

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

For Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356

03 Sha'ban 1442H
16 March 2021

Jeddah

شركة ارنست ويونغ وشركاهم محاسبون قانونيون
EY
ترخيص مهني رقم ٤٥
PROFESSIONAL LICENCE NO. 45
ERNST & YOUNG & Co. PUBLIC ACCOUNTANTS

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	Notes	***2020 Islamic Dinars '000***	*2019 Islamic Dinars '000*
ASSETS			
Cash and cash equivalents	4	**77,228**	125,949
Accounts receivable, net	5	**4,562**	5,168
Prepaid expenses and other assets	6	**3,754**	3,527
Due from affiliates	7	**231**	1,067
Available-for-sale investments	8	**15,161**	15,059
Murabaha commodity placements, net	9	**39,470**	34,324
Held-to-maturity investments	10	**89,833**	39,907
Reinsurance share of outstanding claims	11	**18,890**	25,644
Reinsurance share of unearned premiums	12	**39,628**	23,916
Property and equipment	13	**1,231**	818
Due from policyholders	19	**41,992**	45,756
TOTAL ASSETS		**331,980**	321,135
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable and accruals	14	**14,871**	16,536
Due to affiliates	7	**363**	6,006
Claims payable	15	**302**	261
Pension liability	16	**15,740**	10,341
Outstanding claims reserves	11	**32,766**	37,619
Unearned premiums	12	**66,908**	42,496
TOTAL LIABILITIES		**130,950**	113,259
EQUITY			
Shareholders' Fund			
Share capital	17	**146,917**	145,018
Reserves	18	**74,574**	72,184
Fair value reserve		**695**	25
Foreign exchange reserve		**(10,768)**	(2,001)
Total Shareholders' Fund		**211,418**	215,226
Actuarial loss on pension liability related to Policyholders		**(13,031)**	(7,948)
Foreign exchange reserve related to Policyholders		**2,643**	598
TOTAL EQUITY		**201,030**	207,876
TOTAL LIABILITIES AND EQUITY		**331,980**	321,135

The financial statements were authorised for issue in accordance with a resolution of the Board of Directors on 28 February 2021.

The attached notes 1 to 24 and supplementary financial information form part of these financial statements.

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	Notes	***2020 Islamic Dinars '000***	*2019 Islamic Dinars '000*
SHAREHOLDERS' FUND			
Investment income		**3,590**	4,015
Investment management fees	7	**(166)**	(186)
General and administrative expenses		**(180)**	(128)
Impairment on available-for-sale investment		**(859)**	(3,330)
Net income from Shareholders' fund before exchange results		**2,385**	371
Gain on foreign exchange translation		**5**	4,194
Net income from Shareholders' fund after exchange results		**2,390**	4,565
POLICYHOLDERS' FUND			
Gross written premiums	12	**61,656**	43,708
Premiums ceded to reinsurers	12	**(44,041)**	(34,561)
		17,615	9,147
Net movement in unearned premiums		**(5,917)**	(612)
Net earned premiums		**11,698**	8,535
Outward reinsurance commission income		**9,135**	10,219
Policy fees earned & Other		**207**	214
Total Revenue		**21,040**	18,968
Gross claims paid	11	**(4,486)**	(2,716)
Reinsurance share of claims paid	11	**1,931**	1,474
Net claims paid	11	**(2,555)**	(1,242)
Change in net outstanding claims and other reserves		**(2,054)**	(690)
Net claims expense		**(4,609)**	(1,932)
Policy acquisition cost		**(865)**	(496)
Employee related costs		**(10,799)**	(9,340)
Sales and marketing expenses		**(410)**	(825)
General and administrative expenses		**(2,140)**	(2,233)
Total Expenses		**(18,823)**	(14,826)
Net income from Policyholder' fund before exchange results		**2,217**	4,142
Income / (Loss) on foreign exchange translation		**1,547**	(2,085)
Net income from Policyholders' fund after exchange results		**3,764**	2,057
NET CORPORATE GAIN		**6,154**	6,622

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
NET CORPORATE GAIN	**6,154**	6,622
Less: Net income from Policyholders' fund for the year	**(3,764)**	(2,057)
Net income from Shareholders' fund	**2,390**	4,565
Other comprehensive income to be reclassified to statement of income in subsequent periods:		
Unrealized gain on available-for-sale investments	**670**	206
Other comprehensive income not to be reclassified to statement of income in subsequent periods:		
Actuarial loss on pension liability related to policyholders	**(5,083)**	(4,828)
Foreign exchange reserves related to:		
- Shareholders' fund	**(8,767)**	(2,001)
- Policyholders' fund	**2,045**	598
TOTAL COMPREHENSIVE (LOSS) / INCOME	**(8,745)**	(1,460)

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	Related to Shareholders					*Related to Policyholders*		*Corporate*
	Share capital	***Reserves***	***Fair value reserve***	***Foreign exchange translation reserve***	***Total Shareholders' fund***	***Actuarial loss on pension liability***	***Foreign exchange translation reserve***	***Total equity***
	Islamic Dinars '000	*Islamic Dinars '000*	*Islamic Dinars '000*	*Islamic Dinars '000*	***Islamic Dinars '000***	*Islamic Dinars '000*	*Islamic Dinars '000*	***Islamic Dinars '000***
Balance at 31 December 2018	142,905	67,619	(181)	-	**210,343**	(3,120)	-	**207,223**
Subscriptions received (note 17 (a))	2,113	-	-	-	**2,113**	-	-	**2,113**
Net income for the year	-	4,565	-	-	**4,565**	-	-	**4,565**
Other comprehensive gain/(loss) r	-	-	206	(2,001)	**(1,795)**	(4,828)	598	**(6,025)**
Total comprehensive income/(loss)	-	4,565	206	(2,001)	**2,770**	(4,828)	598	**(1,460)**
Balance at 31 December 2019	145,018	72,184	25	(2,001)	**215,226**	(7,948)	598	**207,876**
Subscriptions received (note 17 (a))	1,899	-	-	-	**1,899**	-	-	**1,899**
Net income for the year	-	2.390	-	-	**2,390**	-	-	**2,390**
Other comprehensive income/(loss)	-	-	670	(8,767)	**(8,097)**	(5,083)	2,045	**(11,135)**
Total comprehensive income/(loss)	-	2,390	670	(8,767)	**(5,707)**	(5,083)	2,045	**(8,745)**
Balance at 31 December 2020	**146,917**	**74,574**	**695**	**(10,768)**	**211,418**	**(13,031)**	**2,643**	**201,030**

The attached notes 1 to 24 and supplementary financial information form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	Notes	***2020 Islamic Dinars '000***	*2019 Islamic Dinars '000*
OPERATING ACTIVITIES			
Net Corporate Gain for the year		**6,154**	6,622
Adjustments for:			
Depreciation	13	**101**	69
Unearned premiums		**24,412**	4,605
Reinsurers' share of unearned premiums		**(15,712)**	(3,891)
Movement in allowance for doubtful claims, net	20	**(495)**	74
Impairment on available-for-sale investment		**859**	3,330
Service cost on pension liability		**754**	1,475
Accrued income from investments	10	**436**	299
Net foreign exchange translation gain		**2,169**	(1,618)
		18,678	10,965
Changes in operating assets and liabilities:			
Accounts receivable		**606**	(1,042)
Claims recoverable		**795**	(74)
Prepaid expenses and other assets		**(227)**	624
Accounts payable and accruals		**(1,665)**	(5,964)
Claims payable		**41**	(31)
Reinsurers' share of outstanding claim		**6,745**	3,465
Outstanding claims		**(4,853)**	(2,490)
Due from affiliates		**836**	21
Due to affiliates		**(5,643)**	555
Net cash from operating activities		**15,313**	6,029
INVESTING ACTIVITIES			
Redemption of available-for-sale investments, net	8	**1,287**	5,643
Purchase of held-to-maturity investments, net	10	**(59,477)**	(6,508)
Purchase of Real Estate Funds		**(2,083)**	-
Murabaha commodity placements		**(5,146)**	79,024
Purchase of property and equipment-net	13	**(514)**	(746)
Net cash (used in) / from investing activities		**(65,933)**	77,413
FINANCING ACTIVITY			
Share subscriptions received	17	**1,899**	2,113
Net cash from financing activity		**1,899**	2,113
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		**(48,721)**	85,555
Cash and cash equivalents at beginning of the year		**125,949**	40,394
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4	**77,228**	125,949
NON-CASH TRANSACTION			
Fair value adjustment on available-for-sale investments		**(144)**	3,285

The attached notes 1 to 24 and supplementary financial information form part of these financial statements.

1. ACTIVITIES

The Islamic Corporation for the Insurance of Investment and Export Credit ("the Corporation") was formed as an autonomous affiliate of Islamic Development Bank (IsDB) with full juristic personality under the terms of its Articles of Agreement, signed by IsDB and Member countries (refer note 1(a)). The principal office of the Corporation is in Jeddah, Saudi Arabia.

The objectives of the Corporation are to expand the scope of trade transactions and flow of investments among member countries by providing export credit Islamic insurance and Islamic reinsurance; as well as Islamic insurance and Islamic reinsurance of investments in accordance with Shari'ah Principles. The Corporation carries out its activities in accordance with its Articles of Agreement, Operating Regulations and the principles of Islamic Shari'ah as supervised by the IsDB Group Shari'ah Board whose functions are set out in Note 2.

As a supranational institution, the Corporation is not subject to any national regulation, is neither supervised by any external regulatory authority and is not subject to any taxes or tariffs.

The Articles of Agreement of the Corporation came into effect on 2 August 1994 (corresponding to 24 Safar 1415H) and the Corporation commenced operations on 1 July 1995 (corresponding to 4 Safar 1416H).

In accordance with the Articles of Agreement, the Corporation is required to maintain and administer two separate funds:

i. A Policyholders' fund
ii. A Shareholders' fund

As an Islamic Insurance entity, the Corporation manages the Policyholders' fund according to the Islamic model of Wakala, whereby the Corporation acts as an agent for managing the technical insurance accounts on behalf of the Policyholders', and invests income from insurance operations according to Mudaraba model. No wakala fee is charged to Policyholders' fund by Shareholders' fund.

All expenses to run the Islamic insurance business are charged to the Policyholders' fund at cost, without any administration fee levied by the Shareholders' fund. The Shareholders' fund is not entitled to a share in any surplus accruing to the Policyholders' fund; any deficit in the Policyholders' fund is covered from the Shareholders' fund capital by way of a qard (loan). The qard (loan) is akin to a revolving current account to be repaid from cash sweeps by the Corporation of cash surplus accruing to the Policyholders' fund on a periodic basis.

The accompanying financial statements are presented in Islamic Dinars (ID). The value of one Islamic Dinar, which is equivalent to one Special Drawing Right (SDR) of the International Monetary Fund, was equal to USD 1.44028 as at 31 December 2020 (2019: USD 1.3828).

a) The following are the Shareholders of the Corporation at end 2020 (2019: 48 shareholders):

S. No.	*Name of Shareholder*	*S. No.*	*Name of Shareholder*
1	IsDB	25	Libya
2	Albania	26	Malaysia
3	Algeria	27	Mali
4	Bahrain	28	Mauritania
5	Bangladesh	29	Morocco
6	Benin	30	Mozambique
7	Brunei	31	Niger
8	Burkina Faso	32	Nigeria
9	Cameroon	33	Oman
10	Chad	34	Pakistan
11	Comoros	35	Palestine
12	Cote d'Ivoire	36	Qatar
13	Djibouti	37	Saudi Arabia
14	Egypt	38	Senegal
15	Gabon	39	Sudan
16	Gambia	40	Suriname
17	Guinea	41	Syria
18	Indonesia	42	Tunisia
19	Iran	43	Turkey
20	Iraq	44	Turkmenistan
21	Jordan	45	Uganda
22	Kazakhstan	46	United Arab Emirates
23	Kuwait	47	Uzbekistan
24	Lebanon	48	Yemen

2. IsDB GROUP SHARI'AH BOARD

The Corporation's business activities are subject to the supervision of the IsDB Group Shari'ah Board consisting of members appointed by the Chairman of the IsDB Group in consultation with the Board of Executive Directors of IsDB. The Group Shari'ah Board was established pursuant to a Resolution of the Board of Executive Directors of IsDB. The members of the Board are appointed for 3 years and may be reappointed.

The functions of the Board include the following:

i. To consider all transactions and products introduced for the first time by the Corporation and rule on its conformity with the principles of Shari'ah, and to lay down the principles for drafting of related contracts and other documents.
ii. To give its opinion on Shari'ah alternatives to conventional products which the Corporation intends to use, and to lay down principles for drafting of related contracts and other documents, and to contribute to its development with a view to enhancing the Corporation's experience in this regard.
iii. To respond to questions, enquiries and explications referred to it by the Board of Directors or Management.
iv. To contribute to the Corporation's program for enhancing awareness of its Staff Members of Islamic Banking and to deepen their understanding of fundamental principles, rules and values relative to Islamic financial transactions.
v. To submit an annual report to the Board of Directors showing the measure of the Corporation's commitment to principles of Shari'ah in light of the opinions and directions given and transactions reviewed.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Corporation's Articles of Agreement.

b. Basis of preparation and reporting and functional currency

The financial statements are prepared under the historical cost convention as modified by the measurement at fair value of available-for-sale investments. These financial statements are presented in Islamic Dinars.

Presentation currency
There is no change to the presentation currency and it continues to be the Islamic Dinar.

The Corporation has adopted the United States Dollars as its functional currency and the results and financial position are translated from the functional currency into the presentation currency as follows:

i. Monetary assets and liabilities are translated at the closing rate at the reporting date;
ii. Non-monetary assets and Equity items are translated at historical rates at each transaction date;
iii. Income and expenses are translated at average rates during the year; and
iv. All resulting exchange differences are recognized in Other comprehensive income and Foreign exchange reserve in the equity section of the balance sheet.

c. Summary of significant accounting policies

The accounting policies are consistent with those used in the previous year, except for new standards and interpretations disclosed in note 3(e). The significant accounting policies adopted are as follows:

Premiums earned
The Corporation issues Islamic insurance contracts relating to export credit Islamic insurance and Islamic reinsurance; as well as Islamic insurance and Islamic reinsurance of investments. Contributions (premiums) are taken to income over the terms of the policies to which they relate on a pro-rata basis. Unearned premiums represent the portion of premiums written relating to the unexpired period of coverage. The change in unearned premiums is taken to the statement of income in order that revenue is recognised over the period of risk exposure.

Islamic Reinsurance premiums (outward)
Islamic Reinsurance premiums ceded are recognised as an expense when payable. Islamic Reinsurance premiums are charged to income over the terms of the policies to which they relate on a pro-rata basis.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Summary of significant accounting policies

Islamic Insurance contracts
Islamic Insurance contracts are those contracts where the Corporation (the insurer) has indemnified another party (the policyholder) from credit default or Islamic insurance risk by agreeing to compensate the policyholder if a specified future event (the insured event) adversely affects the policyholder. As a general guideline, the Corporation determines whether it has significant Islamic insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as a credit default or Islamic insurance contract, it remains an Islamic insurance contract for the remainder of its lifetime, even if the risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Income from Murabaha commodity placements
Murabaha income is accrued on a time apportionment basis over the period from actual disbursement of funds to the settlement date. Once a payment is overdue, no additional income is accrued.

Investment income
Income from shares is recognized when the right to receive the dividend is established. Income from investment in sukuk is accrued on a time apportionment basis using the instrument rate of return. Income from investment in Funds are recognized when the fund declares its income.

Islamic Reinsurance premiums (inward)
Islamic Reinsurance premiums from inward reinsurance is recognised as income on a time apportionment basis over the period of risk exposure.

Cash and cash equivalents
Cash and cash equivalents comprise of bank balances and murabaha commodity placements having an original maturity of three months or less at the date of acquisition.

Murabaha commodity placements
Murabaha financing, with original maturity of more than three months, are stated at total amounts due including mark-up at maturity date less provision for impairment, if any. The portion of mark-up which has not been accrued to income is considered as deferred income and deducted from the total amounts due including mark-up at maturity date.

Available-for-sale investments
Available-for-sale investments include investments in equity and funds those that are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale investments are subsequently measured at fair value with unrealised gains or losses recognised in statement of comprehensive income and credited in the fair value reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the fair value reserve to the statement of income. Profit earned whilst holding available-for-sale investments, if any, is reported as investment income using the effective profit rate method for Sukuk or dividend declaration date for investment in funds.

For AFS financial investments, the Corporation assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. For investments classified as AFS, objective evidence would include a ‘significant or prolonged’ decline in the fair value of the investment below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ against the period in which the fair value has been below its original cost. For further impairments assessment, refer ‘impairment for financial assets’ accounting policy.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Corporation has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective markup rates, less impairment.

Income from held-to-maturity investments are recognized on an accrual basis, using the effective profit method and included under investment income in the statement of income.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Summary of significant accounting policies (continued)

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives of the assets for the calculation of depreciation are as follows:

Vehicles	5 years
Furniture and fixtures	5 years
Office equipment	5 years
Computer equipment	4 years

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

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

Derecognition and recognition of financial instrument

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 Corporation 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 Corporation has transferred substantially all the risks and rewards of the asset, or (b) the Corporation has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation 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 Corporation's continuing involvement in the asset. In that case, the Corporation 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 Corporation 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 Corporation could be required to repay.

Accounts payable and accruals
Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Outstanding claims
Outstanding claims comprise the estimated cost of claims incurred but not settled at the reporting date, whether reported or not. Provisions for reported claims not paid as at the reporting date, are made on the basis of individual case estimates. In addition, a provision for unreported claims based on management's judgement and the Corporation's prior experience 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 of provisions in the following year is included in the underwriting account for that year.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Summary of significant accounting policies (continued)

Provisions
A provision is recognised when the Corporation has an obligation (legal or constructive) as a result of a past event, and 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.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

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

Pension liability
The Corporation has two defined post-employment benefit plans, shared with all ISDB group entities, which consists of the Staff Retirement Pension Plan and the Post-Employment Medical Scheme, both of which require contributions to be made to the separately administered funds.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and percentage of final gross salary. Independent actuaries calculate the defined benefit obligation on an annual basis by using the projected unit credit method to determine the present value of the defined benefit plan and the related service costs. Underlying actuarial assumptions are used to determine the projected benefit obligations. The present value of defined benefit obligations due till retirement date is determined by discounting estimated future cash outflows (relating to service accrued to the reporting date) using the yields available on high-quality corporate bonds. For intermediate years, the defined benefit obligation is estimated using approximate actuarial roll-forward techniques that allow for additional benefit accrual, actual cash flows and changes in the underlying actuarial assumptions. Actuarial gains or losses, if material, are recognized immediately in the reserves under members' equity in the year they occur. The pension liability is recognized as part of other liabilities in the statement of financial position. The liability represents the present value of the Corporate's defined benefit obligations, net of the fair value of plan assets. The Corporation's contributions to the defined benefit scheme are determined by the Retirement Plan Committee, with advice from the IsDB's actuaries, and contributions are transferred to the scheme's independent custodians.

Fair values
For investments in active markets, fair value is determined by reference to quoted market bid prices at the close of business on the reporting date.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the investee's latest available financial statements or is based on the assessment by the Corporation of the value of future cash flows from the investment.

Offsetting
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the statement of income unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Corporation. No offsetting has been made in these financial statements.

Impairment of financial assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Summary of significant accounting policies (continued)

Impairment is determined as follows:

(a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
(b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset; and
(c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective profit rate.

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

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

Currently the Corporation is exposed only to short-term and leases of low-value assets.

Impairment of non-financial assets
The Corporation assesses at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Corporation estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of income in expense categories consistent with the function of the impaired asset, except for a property, if any, previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Corporation estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Liability adequacy test
At each reporting date, the Corporation assesses whether its recognized Islamic insurance liabilities are adequate using current estimates of future cash flows under its Islamic insurance contracts. If that assessment shows that the carrying amount of its Islamic insurance liabilities are inadequate in light of estimated future cash flows, the entire deficiency is immediately recognized in the statement of income and an unexpired risk provision created.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Summary accounting judgements, estimates and assumptions

The preparation of the Corporation's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The ultimate liability arising from claims made under Islamic insurance contracts
Judgement by management is required in the estimation of amounts due to policyholders and third parties arising from claims made under Islamic insurance contracts. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Corporation estimates its claims based on its previous experience of its Islamic insurance portfolio. During the year, the Corporation enhanced its methodology and assumptions used for the insurance portfolio general reserving to be more granular and consider country ratings, term of the credit, probability of conversion to claims, etc. The Corporation estimates its claims based on its previous experience of its Islamic insurance portfolio. Claims requiring court or arbitration decisions, if any, are estimated individually. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a monthly basis. Any difference between the provisions at the statement of financial position date and settlements and provisions in the following year is included in the statement of income for that period. The provision for outstanding claims, as at 31 December, is also verified by an independent actuary.

Impairment of receivables
An estimate of the collectible amounts of accounts receivable and claims recoverable are 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.

Fair value of financial instruments
The fair value for financial instruments in active markets at the reporting date is based on their quoted market price. Where the fair value of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgement is required to establish fair values.

Useful lives of property and equipment
The Corporation's management determines the estimated useful lives of its property and equipment for calculating depreciation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment losses on available-for-sale financial assets
The Corporation determines that available-for-sale equity financial assets are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment. The Corporation evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financing cash flows. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and financing and operational cash flows.

Going concern
The Corporation's management has made an assessment of the Corporation's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Corporation's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Covid
In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the globe. During the year ended 31 December 2020, the governments rightly took many initiatives to contain the spread of virus, which included restrictions on travel, gathering of people and enactment of curfew timings. This resulted in many non-essential businesses to curtail or suspend activities until further notice.

Considering these factors, management carried out an impact assessment on the Corporation's overall operations and business aspects including underwriting, investment and collections as well as working capital projections, etc. and concluded that, as at the issuance date of these financial statements, the Corporation did not have significant adverse impact on its operations and businesses due to COVID-19 pandemic and no significant changes are required to the judgements, assumptions and key estimates.

To preserve the health of employees and support the prevention of contagion in operational and administrative areas, the Corporation took measures, in line with the recommendations of the World Health Organization, such as working from home, social distancing at work place, rigorous cleaning of workplaces and staff accommodation, distribution of personal protective equipment, testing of suspected cases, limiting non-essential travel, self-health declarations and measuring body temperature. In addition, the Corporation's nature of activities facilitated seamless operations during the pandemic.

The operational and financial impacts of the COVID-19 pandemic to date have been reflected in these financial statements. The strong financial position, including access to funds, nature of activities coupled with the actions taken to date and the continued operations ensures that the Corporation has the capacity to continue through the challenges caused by impacts of the COVID-19 pandemic. However, in view of the current uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

e. New IFRS, International Financial Reporting and Interpretations Committee's interpretations (IFRIC) and amendments thereof, adopted by the Corporation

The Corporation applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Corporation has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective :

Amendments to IFRS 3: Definition of a business
The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Corporation.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The International Accounting Standards Board ("IASB") is engaged in a two-phase process of amending its guidance to assist in a smoother transition away from IBOR.

Phase (1) - The first phase of amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures focused on hedge accounting issues. The final amendments, issued in September 2019, amended specific hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by IBOR reform. The amendments are effective from 1 January 2020 and are mandatory for all hedge relationships directly affected by IBOR reform.

Phase (2) - The second phase relates to replacement of benchmark rates (IBOR) with alternative risk-free rates (RFR). The Phase 2 amendments are effective for annual periods beginning on or after 1 January 2021 and early application is permitted. Now that the Phase 2 Amendments have been finalised, the Corporation will complete its assessment of the accounting implications of the scenarios it expects to encounter as the transition from IBORs to RFRs in order to accelerate its programmes to implement the new requirements. The Phase 2 Amendments introduce new areas of judgement, the Corporation needs to ensure it has appropriate accounting policies and governance in place.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendment to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Corporation.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Corporation.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Corporation.

e. New IFRS, IFRIC and amendments thereof, issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Corporation financial statements are listed below. The listing is of standards issued, which the Corporation reasonably expects to be applicable at a future date. The Corporation intends to adopt these standards, where applicable, when they become effective.

Standard/ Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 17	Insurance Contracts	1 January 2023
IFRS 9	Financial Instruments	See (a) below

The Corporation is currently assessing the implications of the above-mentioned standards, amendments or interpretations on the Corporation's financial statements on adoption.

(a) The implementation of IFRS 9 is expected to result in a significant portion of a Corporation's financial assets classified as available-for-sale being re-classified as at fair value through profit or loss or fair value through other comprehensive income (OCI). Credit allowances for financial assets carried at amortized cost and debt securities measured at fair value, with changes in fair value recognized in OCI, are expected to increase due to the introduction of the expected credit loss methodology. Upon implementation of IFRS 17 'Insurance Contracts', more assets may be classified as at fair value through profit or loss under the fair value option. IFRS 17 also introduces a temporary exemption for the implementation of IFRS 9 for reporting entities whose activities predominantly relate to Islamic insurance.

The Corporation has assessed and concluded that its activities are predominantly connected with Islamic insurance and accordingly deferred the implementation of IFRS 9 until a later date which will not be later than 1 January 2023.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Amendments to IAS 1: Classification of Liabilities as Current or Non-current
In January 2020, IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively.

Reference to the Conceptual Framework – Amendments to IFRS 3
In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the framework for the preparation and presentation of financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have an impact on the Corporation.

Amendments to IAS 16 : Property, plant and equipment
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual periods beginning on or after 1 January 2022 and must be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have a material impact on the Corporation.

Amendments to IAS 37: Provisions – costs to fulfil a contract
In May 2020, the IASB issued amendments to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a ‘directly related cost approach’. The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Corporation will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. The amendments are not expected to have an impact on the Corporation.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have an impact on the Corporation.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Corporation will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The Corporation has assessed and concluded that its activities are predominantly connected with Islamic insurance and accordingly deferred the implementation of IFRS 9 until a later date which will not be later than 1 January 2023.

4. CASH AND CASH EQUIVALENTS

	***2020* Islamic Dinars '000**	*2019 Islamic Dinars '000*
Shareholders' fund		
Cash at banks	**(18)**	3,534
Murabaha commodity placements (see note (a) and 9 below)	**44,477**	97,581
Policyholders' fund		
Cash at banks	**32,769**	24,834
	77,228	125,949

a) Murabaha commodity placements are held with Islamic banks and have an original maturity not exceeding three months.

b) All cash and cash equivalents are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these cash and cash equivalents.

5. ACCOUNTS RECEIVABLE RELATED TO POLICYHOLDERS' FUND, NET

	***2020* Islamic Dinars '000**	*2019 Islamic Dinars '000*
Policyholders' fund		
Accounts receivable from policyholders' fund	**4,803**	5,419
Allowance for doubtful debts	**(241)**	(251)
	4,562	5,168

5. ACCOUNTS RECEIVABLE RELATED TO POLICYHOLDERS' FUND, NET (continued)

Movement in the allowance for doubtful debts during the year was as follows:

	2020 ***Islamic Dinars*** ***'000***	*2019* *Islamic Dinars* *'000*
Balance at beginning of the reporting year	**251**	254
Foreign currency translation adjustment	**(10)**	(3)
Balance at end of the reporting year	**241**	251

The aging analysis of unimpaired accounts receivables was as follows:

		Past due but not impaired				
	Neither past due nor impaired *Islamic Dinars* *'000*	*Above 1 and up to 3 months* *Islamic Dinars* *'000*	*Above 3 and up to 6 months* *Islamic Dinars* *'000*	*Above 6 and up to 12 months* *Islamic Dinars* *'000*	*Above 12 months* *Islamic Dinars* *'000*	*Total* *Islamic Dinars* *'000*
2020	**2,406**	**2,114**	**49**	**207**	**27**	**4,803**
2019	4,248	610	136	263	162	5,419

The gross amount of impaired receivables amounted to ID 241,000 (2019: ID 262,000) against which an impairment allowance of ID 241,000 has been provided (2019: ID 251,000).

The Corporation's credit period is 30 days after which receivables are considered to be past due. Adequate allowance has been made for doubtful debts and the unimpaired receivables outstanding at year end are, on the basis of past experience, are expected to be fully recoverable.

6. PREPAID EXPENSES AND OTHER ASSETS

	2020 ***Islamic Dinars*** ***'000***	*2019* *Islamic Dinars* *'000*
Shareholders' fund		
Accrued income	**806**	448
	806	448
Policyholders' fund		
Staff advances	**2,798**	2,918
Other receivables	**150**	161
	2,948	3,079
	3,754	3,527

7. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent Board of Governors, directors and key management personnel of the Corporation, and affiliate entities of IsDB Group. In the ordinary course of its activities, the Corporation transacts business with related parties. The terms of these transactions are approved by the Corporation's management.

In addition to investments held in the name of IsDB for and on behalf of the Corporation disclosed in note 8(b) and note 10, transactions with related parties included in the statement of income are as follows:

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Investment management fees paid to IsDB – OCR	**166**	186
Charges for office space paid to IsDB – OCR	**1,060**	995
Expenses paid by IsDB on behalf of the Corporation	**941**	820
Pensions paid to IsDB – Staff Retirement Medical and Pension Plans	**1,840**	917

Related parties' balances included in the statement of financial position are as follows:

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Due from:		
Islamic Corporation for the Development of the Private Sectors (ICD)	**175**	182
Islamic Solidarity Fund for Development (ISFD)	**56**	58
IsDB – Special Account Resources Waqf Fund	**-**	827
	231	1,067
Due to:		
Islamic Development Bank Ordinary Capital Resources – (IsDB – OCR)	**362**	5,828
IsDB – Pension Fund	**-**	170
IsDB – Medical Fund	**-**	7
The Saudi Project for Utilization of Sacrificial Animals (ADAHI)	**1**	1
	363	6,006

The compensation paid or payable to key management personnel is shown below:

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Salaries and other short-term benefits	**482**	445
Post-employment benefits	**309**	247

8. AVAILABLE-FOR-SALE INVESTMENTS RELATED TO SHAREHOLDERS' FUND

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Shareholders' fund		
Quoted investments (carried at fair value through other comprehensive income):		
Sukuks	**11,769**	11,832
Unquoted investments		
Units in ICD – Unit Investment Fund cost	**8,539**	12,418
Redemption	**(1,015)**	(3,561)
Less: Impairment allowance	**(6,215)**	(5,807)
	1,309	3,050
Shares in Takaful Re (carried at cost)	**1,041**	1,213
Less: Impairment allowance (see note (a) below):	**(1,041)**	(1,036)
	-	177
Real Estate Investment Fund	**2,083**	-
Carrying value of unquoted investments	**3,392**	3,227
	15,161	15,059

a) The fair value of the unquoted investments is not readily available except for the fair value of the real estate investment which is based on the net asset value statement at the reporting date. The management, based on the review of the audited financial statements of these investee which is prepared under fair value basis, concluded that the carrying value of the unquoted investments are approximates their fair values.

b) Except for the Real Estate Investment Fund which is held in ICIEC name, all other available-for-sale investments are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these available-for-sale investments.

The movement in available-for-sale investments is as follows:

	Quoted Islamic Dinars '000	***Unquoted Islamic Dinars '000***	***2020 Islamic Dinars '000***	*2019 Islamic Dinars '000*
Cost:				
At beginning of the year	**11,967**	**9,034**	**21,001**	26,919
Additions	**2,083**		**2,083**	
Redemption	**(272)**	**(1,015)**	**(1,287)**	(5,643)
Foreign currency translation adjustment	**(506)**	**(44)**	**(550)**	(275)
At end of the year	**13,272**	**7,975**	**21,247**	21,001
Unrealized gains/(loss) on available-for-sale investments:				
At beginning of the year	**(135)**	**(5,807)**	**(5,942)**	(2,657)
Net movement during the year	**715**	**(859)**	**(144)**	(3,285)
At end of the year	**580**	**(6,666)**	**(6,086)**	(5,942)
Net carrying value	**13,852**	**1,309**	**15,161**	15,059

9. MURAHABA FINANCING NET

	2020	*2019*
	Islamic Dinars '000	*Islamic Dinars '000*
Shareholders' fund		
Gross Murabaha commodity placements	**71,860**	131,205
Less: Murabaha commodity placements with an original maturity of three months or less (see note 3)	**(44,477)**	(97,581)
Other Murabaha financing	**4,777**	770
Less: Impairment allowance (see note (b))	**(68)**	(70)
	32,092	34,324
Policyholders' fund		
Gross Murabaha commodity placements	**7,378**	-
	39,470	34,324

a) All Murabaha commodity placements are held in the name of IsDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these Murabaha commodity placements.

b) The movement in the provision for impairment on Murabaha commodity placements is as follows:

	2020	*2019*
	Islamic Dinars '000	*Islamic Dinars '000*
Balance at beginning of the year	**70**	71
Reversal during the year	**(2)**	(1)
Balance at end of the year	**68**	70

10. HELD-TO-MATURITY INVESTMENTS RELATED TO SHAREHOLDERS' FUND

	2020	*2019*
	Islamic Dinars '000	*Islamic Dinars '000*
Sukuk	**89,833**	39,907

The movement in held to maturity investments is as follows:

Cost:		
At beginning of the year	**39,907**	34,111
Additions	**59,477**	6,508
Redemption	**(8,237)**	(1,789)
Foreign currency translation adjustment	**(878)**	1,376
Accrued income, net	**(663)**	(246)
Amortization	**227**	(53)
At end of the year	**89,833**	39,907

All held-to-maturity investments are held in the name of ISDB for and on behalf of the Corporation. The Corporation is the beneficial owner of these held-to-maturity investments.

11. OUTSTANDING CLAIMS RELATED TO POLICYHOLDERS' FUND

	2020			*2019*		
	Gross	***Islamic Reinsurance share***	***Net***	*Gross*	*Islamic Reinsurance share*	*Net*
	Islamic Dinars ‘000	***Islamic Dinars ‘000***	***Islamic Dinars ‘000***	*Islamic Dinars ‘000*	*Islamic Dinars ‘000*	*Islamic Dinars ‘000*
Outstanding at beginning of the year	**37,619**	**(25,644)**	**11,975**	40,109	(29,109)	11,000
Claims paid during the year	**(4,486)**	**1,931**	**(2,555)**	(2,716)	1,474	(1,242)
Charge during the year	**5,248**	**(639)**	**4,609**	3,077	(1,145)	1,932
Foreign exchange adjustment	**(5,615)**	**5,462**	**(153)**	(2,851)	3,136	285
Outstanding at the end of the year	**32,766**	**(18,890)**	**13,876**	37,619	(25,644)	11,975
Comprise of:						
Incurred but not reported (IPGR) (Note 11.1)	**29,019**	**(17,565)**	**11,454**	29,971	(20,215)	9,756
Reported	**3,747**	**(1,325)**	**2,422**	7,648	(5,429)	2,219
	32,766	**(18,890)**	**13,876**	37,619	(25,644)	11,975

11.1 The Insurance Portfolio General Reserve (IPGR) represents unreported general estimated amount of probable claims, which may arise in future out of the exposure that ICIEC holds at the end of the year, this reserve is calculated based on a model developed to align the risk with the probable loss at a transaction level. Whereas for the reported claims, ICIEC assigns a separate provision as above.

11.2 ICIEC has not disclosed the claims development table as uncertainty about the amount and timing of claims payments is typically resolved within one year.

12. UNEARNED PREMIUMS RELATED TO POLICYHOLDERS' FUND, NET

	2020			*2019*		
	Gross	***Islamic Reinsurance share***	***Net***	*Gross*	*Reinsurance share*	*Net*
	Islamic Dinars ‘000	***Islamic Dinars ‘000***	***Islamic Dinars ‘000***	*Islamic Dinars ‘000*	*Islamic Dinars ‘000*	*Islamic Dinars ‘000*
At beginning of the year	**42,496**	**(23,916)**	**18,580**	37,891	(20,025)	17,866
Gross written/(ceded) premiums during the year	**61,656**	**(44,041)**	**17,615**	43,708	(34,561)	9,147
Premiums earned during the year	**(42,634)**	**31,538**	**(11,096)**	(39,450)	30,915	(8,535)
Foreign exchange adjustment	**5,390**	**(3,209)**	**2,181**	347	(245)	102
At end of the Year	**66,908**	**(39,628)**	**27,280**	42,496	(23,916)	18,580

13. PROPERTY AND EQUIPMENT RELATED TO POLICYHOLDERS' FUND

	Vehicles	*Furniture and fixtures*	*Office equipment*	*Computer equipment*	*Capital work in progress*	*Total*
	Islamic Dinars '000	*Islamic Dinars '000*	*Islamic Dinars '000*	*Islamic Dinars '000*	*Islamic Dinars '000*	*Islamic Dinars '000*
Policyholders' fund						
Cost:						
At 1 January 2019	116	173	165	610	-	1,064
Additions	60	95	8	32	551	746
At 1 January 2020	**176**	**268**	**173**	**642**	**551**	**1,810**
Additions	**-**	**12**	**-**	**13**	**489**	**514**
At 31 December 2020	**176**	**280**	**173**	**655**	**1,040**	**2,324**
Accumulated depreciation:						
At 1 January 2019	84	158	142	539	-	923
Charge for the year	27	8	10	24	-	69
At 1 January 2020	**111**	**166**	**152**	**563**	-	**992**
Charge for the year	**25**	**32**	**12**	**32**	-	**101**
At 31 December 2020	**136**	**198**	**164**	**595**	-	**1,093**
Net book value:					-	
At 31 December 2020	**40**	**82**	**9**	**60**	**1,040**	**1,231**
At 31 December 2019	65	102	21	79	551	818

During the year, the Corporation embarked on a multi-year information technology implementation project and all costs incurred during the implementation period shall be classified as Assets Under Construction until completion. Depreciation will commence after commissioning of the system.

14. ACCOUNTS PAYABLE AND ACCRUALS

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Shareholders' liabilities		
Earning not approved by Shari'ah board (see note (a) below)	**326**	347
Subscriptions received in advance, net (see note (b) below)	**278**	247
Other payables	**885**	882
	1,489	1,476
Policyholders' liabilities		
Accrued Islamic reinsurance	**8,230**	9,316
Accrued administrative expenses	**4,731**	5,103
Other payables	**421**	641
	13,382	15,060
	14,871	16,536

14. ACCOUNTS PAYABLE AND ACCRUALS (continued)

a) This represents net accumulated income up to 31 December 2020 generated from placements with certain conventional banks and financial institutions which were not considered operating in compliance with Sharia principles by the IsDB Group Shari'ah Board. This amount will be used for donation or charitable purposes.

Earning not approved by the IsDB Group Shari'ah board

	2020 Islamic Dinars '000	***Number of events***	*2019 Islamic Dinars '000*	*Number of events*
Interest from foreign bank account	**-**	-	13	2
Adjustment of foreign exchange	**(14)**	1	5	1
	(14)		18	

b) This represents subscriptions received in advance from the Member countries.

15. CLAIMS PAYABLE RELATED TO POLICYHOLDERS' FUND

Claims payable are related to the Policyholders' fund where settlement procedures were not completed at the reporting date.

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Balance at beginning of the year	**261**	292
Additions during the year	**4,486**	1,451
Payments made during the year	**(4,445)**	(1,482)
Balance at end of the year	**302**	261

16. PENSION LIABILITY RELATED TO POLICYHOLDERS' FUND

(a) The movements in the plan assets and liability are as follows:

	2020			*2019*
	Staff retirement pension plan Islamic Dinars '000	***Staff retirement medical plan Islamic Dinars '000***	***Total Islamic Dinars '000***	*Total Islamic Dinars '000*
Allocation of pension assets from IsDB	**14,957**	**930**	**15,887**	14,203
Adjustment on post close amendments	**(204)**	**(45)**	**(249)**	88
Income on Plan Assets	**480**	**28**	**508**	648
Return on Plan Assets less than discount rate	**(1,144)**	**(80)**	**(1,224)**	165
Plan participations contributions	**399**	**18**	**417**	424
Employer contribution	**935**	**83**	**1,018**	1,075
Disbursements from Plan Assets	**(249)**	**(20)**	**(269)**	(796)
Currency translation adjustment	**(597)**	**(37)**	**(635)**	80
Fair value of plan assets at 31 December	**14,577**	**877**	**15,454**	15,887

16. PENSION LIABILITY RELATED TO POLICYHOLDERS' FUND (continued)

	2020			*2019*
	Staff retirement pension plan Islamic Dinars '000	***Staff retirement medical plan Islamic Dinars '000***	***Total Islamic Dinars '000***	*Total Islamic Dinars '000*
Allocation of benefit obligation from IsDB	**24,080**	**2,148**	**26,228**	19,304
Current Service costs	**1,187**	**104**	**1,291**	929
Past service cost	**138**	**-**	**138**	331
Cost on Defined Benefit Obligation (DBO)	**757**	**67**	**824**	864
Plan participations contributions	**399**	**18**	**417**	425
Disbursements from Plan Assets	**(249)**	**(20)**	**(269)**	(796)
Net actuarial loss	**3,513**	**346**	**3,859**	5,065
Currency translation adjustment	**(960)**	**(87)**	**(1,047)**	106
Other adjustments related to prior year	**(248)**	**-**	**(247)**	-
Benefit obligation at 31 December	**28,617**	**2,577**	**31,194**	26,228
Funded status - net liability recognized in the statement of financial position representing excess of benefit obligation over fair value of plan assets	**(14,040)**	**(1,700)**	**(15,740)**	(10,341)

The above net liability represents the cumulative actuarial losses resulting from the difference between the actual experience and the assumptions used in estimating the liability, which is recognized by the Corporation in the members' equity immediately in the year, it arises, if material.

(b) Based on the actuarial valuations, the pension and medical benefit expenses for the year comprised the following:

	2020			*2019*
	Staff retirement pension plan Islamic Dinars '000	***Staff retirement medical plan Islamic Dinars '000***	***Total Islamic Dinars '000***	*Total Islamic Dinars '000*
Gross current service costs	**1,187**	**104**	**1,291**	929
Past service cost	**138**	**-**	**138**	330
Cost on DBO	**757**	**67**	**824**	864
Income on assets	**(480)**	**(27)**	**(507)**	(648)
Cost recognized in statement of income	**1,602**	**144**	**1,746**	1,475
Actuarial gain due to assumptions	**3,741**	**347**	**4,088**	5,065
Return on plan assets greater than discount rate	**1,144**	**81**	**1,225**	(165)
Adjustment on post close amendments	**(229)**	**(1)**	**(230)**	(88)
Currency translation adjustment	**-**	**-**	**-**	16
Cost recognized in statement of changes of equity	**4,656**	**427**	**5,083**	4,828

16. PENSION LIABILITY RELATED TO POLICYHOLDERS' FUND (continued)

(c) Principal assumptions used in the actuarial valuations dated 31 December 2020 as follows:

	2020		*2019*	
	Staff retirement pension plan	***Staff retirement medical plan***	*Staff retirement pension plan*	*Staff retirement medical plan*
Discount rate	**2.60%**	**3.30%**	3.50%	4.50%
Rate of expected salary increase	**4.50%**	**3.30%**	4.50%	4.50%

The discount rate used in determining the benefit obligations is selected by reference to the long-term rates on AA Corporate Bonds.

The following table presents the plan assets by major category:

	2020			*2019*
	Staff retirement pension plan Islamic Dinars '000	***Staff retirement medical plan Islamic Dinars '000***	***Total Islamic Dinars '000***	*Total Islamic Dinars '000*
Cash and Cash Equivalent and Commodity placements	**6,466**	**496**	**6,962**	6,006
Managed funds and Instalment sales	**1,903**	**-**	**1,903**	2,414
Investments in sukuk	**4,731**	**360**	**5,091**	5,519
Land	**1,369**	**-**	**1,369**	1,418
Other (net)	**108**	**21**	**129**	530
Fair value of plan assets at 31 December 2020	**14,577**	**877**	**15,454**	15,887

(d) The following table summarizes the funding status of the staff retirement pension plan at end of reporting periods:

	31 December 2020 Islamic Dinars '000	*31 December 2019 Islamic Dinars '000*
Present value of defined benefit obligation	**(28,617)**	(24,080)
Fair value of plan assets	**14,577**	14,957
Plan deficit	**(14,040)**	(9,123)

(e) The following table summarizes the funding status of the staff retirement medical plan at end of reporting periods:

	31 December 2020 Islamic Dinars '000	*31 December 2019 Islamic Dinars '000*
Present value of defined benefit obligation	**(2,577)**	(2,148)
Fair value of plan assets	**877**	930
Plan deficit	**(1,700)**	(1,218)

16. PENSION LIABILITY RELATED TO POLICYHOLDERS' FUND (continued)

(f) Total pension liability

	31 December 2020		
	Staff retirement pension plan Islamic Dinars '000	***Staff retirement medical plan Islamic Dinars '000***	***Total Islamic Dinars '000***
Balance at 1 January 2020	**(9,123)**	**(1,218)**	**(10,341)**
Transfer of actuarial deficit from IsDB	**(4,917)**	**(482)**	**(5,399)**
Balance at 31 December 2020	**(14,040)**	**(1,700)**	**15,740**

	31 December 2019		
	Staff retirement pension plan Islamic Dinars '000	*Staff retirement medical plan Islamic Dinars '000*	*Total Islamic Dinars '000*
Balance at 1 January 2019	(4,549)	(553)	(5,102)
Transfer of Actuarial Deficit from ISDB-OCR	(4,574)	(665)	(5,239)
Balance at 31 December 2019	(9,123)	(1,218)	(10,341)

17. SHARE CAPITAL RELATED TO SHAREHOLDERS' FUND

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Authorized capital		
400,000 shares (2019: 400,000) of ID 1,000 each	**400,000**	400,000
IsDB ("Special Account Resources Waqf Fund")		
Issued and subscribed capital		
150,000 shares of ID 1,000 each:		
50,000 shares of ID 1,000 each fully paid	**50,000**	50,000
50,000 shares of ID 1,000 each, of which ID 500 has been called	**25,000**	25,000
Member countries		
145,958 shares (2019: 145,888) of ID 1,000 each, of which ID 500 has been called	**72,979**	72,944
Less: Subscriptions receivable	**(1,062)**	(2,926)
	146,917	145,018

The uncalled subscriptions on issued capital are subject to call by the Corporation as and when required to meet its obligations and may be refunded in whole or in part in which event the amounts refunded shall become part of the callable capital obligation of the shareholders.

The shareholders may withdraw from the Corporation after the expiry of a period of 5 years from the date of their membership. In such an event, the Corporation shall arrange for the repurchase of the shares of a withdrawing shareholder at a price equal to the net book value of such shares on the date shareholder ceases to be a member (adjusted for its share of liabilities). The management believes that likelihood of any member state withdrawing their capital is remote and none has been withdrawn so far since inception.

17. SHARE CAPITAL RELATED TO SHAREHOLDERS' FUND (continued)

a) The subscriptions received during the year from the Member countries are as follows:

Shareholder	***2020 Islamic Dinars '000***	*2019 Islamic Dinars '000*
Egypt	**1,676**	1,676
Turkmenistan	**125**	125
Uzbekistan	**63**	63
Oman	**-**	125
Cote D'Ivoire	**-**	62
Palestine	**-**	62
Additional shares (BOG resolution)	**35**	-
	1,899	2,113

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
b) Breakdown of Subscriptions receivable		
Not yet due	**-**	1,926
Overdue	**1,062**	1,000
	1,062	2,926

18. RESERVE

In accordance with Article 29 of Chapter IV of the Corporation's Articles of Agreement, all profits accruing to the Shareholders' fund as well as the surplus accruing to the Policyholders' fund shall be allocated to reserves, until such reserve equals five times the subscribed capital of the Corporation.

After the reserves of the Corporation have reached this level, the Board of Governors will decide to what extent the surplus accruing to the Policyholders' fund and the net income accruing to the Shareholders' fund may be distributed or allocated to special reserves.

19. DUE FROM POLICYHOLDERS

In accordance with clause 13(3) of the Articles of Agreement, the net deficit in the Policyholders' fund should be covered by a qard from the Shareholders' fund. The qard is recoverable from future cash surplus accruing to the Policyholders' fund. The net deficit is interpreted as the shortfall of assets to meet any liabilities of the Policyholders' fund.

Due from Policyholder's fund is comprised of the following:

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Policyholders' fund		
Total assets	**107,637**	84,304
Total liabilities	**(119,073)**	(104,433)
Accumulated deficit	**41,992**	45,756
Net deficit in Policyholders' fund	**30,556**	25,627
Qard to Policyholders' fund from Shareholders' fund	**(30,556)**	(25,627)
	-	-

20. CLAIMS RECOVERABLE RELATED TO POLICYHOLDERS' FUND, NET

Claims recoverable represents amounts recoverable from defaulted parties in respect of claims settled by the Corporation.

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Policyholders' fund		
Claims recoverable	**11,597**	12,092
Allowance for doubtful claims, maintain against claims recoverable	**(11,597)**	(12,092)
	-	-
Movement in the allowance for doubtful claims recoverable during the year:		
Balance at beginning of the year	**12,092**	12,018
Foreign currency translation adjustment	**(495)**	74
Balance at end of the year	**11,597**	12,092

21. FAIR VALUES OF FINANCIAL INSTRUMENTS

a) 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 Corporation. The Corporation's financial assets include cash and cash equivalents, Murabaha commodity placements, available-for-sale investments, accounts receivable, due from affiliates and certain other assets. The Corporation's financial liabilities consist of claims payable, accounts payable, due to affiliates and certain other liabilities.

b) The fair values of financial instruments are not materially different from their carrying values. At 31 December 2020, apart from the available-for-sale investments which are carried at fair value, there were no other financial instruments held by the Corporation that were measured at fair value.

c) The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted prices in active markets for the same instrument (i.e., without modification or repackaging);

Level 2: quoted prices in active markets for similar assets and liabilities or other valuation techniques for which all significant inputs are based on observable market data; and

Level 3: valuation techniques for which any significant input is not based on observable market data.

d) The following table provides an analysis of available-for-sale financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on degree to which the fair value is observable:

	Level 1 Islamic Dinars '000	***Level 2 Islamic Dinars '000***	***Level 3 Islamic Dinars '000***
For the year ended 31 December 2020			
Sukuk	**11,769**	**-**	**-**
Real Estate Investment Fund	**2,083**	**-**	**-**
Unit in ICD - Unit Investment Fund	**1,309**	**-**	**-**
Shares in Takaful Re.	**-**	**-**	**-**
For the year ended 31 December 2019			
Sukuk	11,832	-	-
Unit in ICD - Unit Investment Fund	3,050	-	-
Shares in Takaful Re.	-	-	177

There were no transfers between levels during the years ended 31 December 2020 and 31 December 2019.

22. RISK MANAGEMENT

Risk management lies at the heart of the Corporation's operations. Insuring political and credit risk requires a sound risk management infrastructure and an effective risk culture. The Corporation considers the importance of risk management at all levels of its operations; from the Corporation's Board of Directors to the underwriting officer level. The Corporation manages its risk in line with the guidelines and policies which have been approved by the Board of Directors. The Corporation shares the same Board of Directors, Shari'ah Board and Audit Committee as that of IsDB.

The nature of activities and management policies with respect to risk management are provided under the various categories of risks faced by the Corporation:

Islamic Insurance Risk
As a multilateral institution, the Corporation provides two distinct services; credit Islamic insurance and political risk Islamic insurance to its policyholders. Both of these products require the Corporation to carry out buyer/project and country risk assessment in a way to minimize the payment of claims as the Corporation's net earnings would depend upon the incidence of claims payment. The risk of paying out claims to its policyholders, though contingent in nature, is the major risk which the Corporation faces. The management of Islamic insurance risk is done effectively by employing various risk management techniques including risk diversification, risk transfer (Islamic reinsurance) and monitoring of technical provisions. The Corporation closely monitors its claim and recovery activities and provisions for outstanding claims. Cognizant of the importance of risk diversification the Corporation sets exposure limits per country, per buyer and per transaction. The Corporation has established well-functioning Islamic reinsurance programs which include treaty and facultative Islamic reinsurance that are helpful in managing its portfolio risk profile.

Islamic Reinsurance risk
In order to minimize its financial exposure arising from large claims, whether in its overall Short-Term portfolio, or in large Medium-Term transactions, and as per the industry practice, the Corporation enters into exposure ceding agreements (Quota Share Treaty or Facultative Agreement) with internationally operating and reputable Islamic reinsurance companies. Accordingly, the Corporation carefully evaluates the financial strength of the reinsurers, and monitors their concentration risk in geographic regions, economic sectors or in specific activities, in order to minimize its exposure to significant losses which may be due to reinsurers' insolvency.

Reinsurers are selected using stringent parameters and guidelines set by the management of the Corporation, focusing mainly on the following criteria:

- Minimum acceptable credit rating by recognized rating agencies (S&P, Moody's, A.M. Best, or Fitch)
- Financial strength, managerial and technical expertise, and historical performance
- Market reputation; and
- Existing or past business relationship/experience with the reinsurer.

Although the Corporation has Islamic reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to Islamic reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such Islamic reinsurance arrangements.

Credit risk
Credit risk is a risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss.

For all classes of financial assets held by the Corporation, other than those relating to Islamic reinsurance contracts as described in Islamic reinsurance risk above, the maximum credit risk exposure to the Corporation is the carrying value as disclosed in the financial statements at the statement of financial position date.

Islamic reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the Islamic reinsurance purchase strategy, ascertaining suitable allowances for impairment.

The Corporation seeks to limit its credit risk with respect to customers by following its credit control policy and monitoring outstanding receivables on an on-going basis in order to reduce the Corporation's exposure to bad debts. Management estimates specific impairment provision on a case by case basis. In addition to specific provisions, the Corporation also makes an additional portfolio provision, estimated on a collective basis, based on the ageing profile of the overdue premium receivables. The Corporation seeks to limit its credit risk with respect to other counterparties by placing murabaha commodity placements with reputable banks. The Corporation's investment portfolio is primarily managed by IsDB and therefore, it is of the opinion that no credit loss is likely to occur.

22. RISK MANAGEMENT (continued)

Credit risk (continued)

The table below shows the maximum exposure to credit risk for the components of the statement of financial position:

	2020 Islamic Dinars '000	*2019 Islamic Dinars '000*
Cash at banks	**77,228**	125,949
Murabaha receivables	**39,470**	34,324
Accounts receivable	**4,562**	5,168
Islamic Sukuks	**101,602**	50,703
	222,862	216,144

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The Corporation is exposed to limited market risk due to majority of its investments being denominated in its functional currency and on a held-to-maturity basis (with limited available for sale investment on mark-to-market basis). The Corporation does not trade in equity instrument or speculate in foreign currencies or derivatives.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

With the change of functional currency in October 2019 to United States, the Corporation's investment portfolio of the Shareholders fund is primarily held in US Dollars. The Corporation continues to offer Euro denominated insurance policies and has a policy to match its overall non-USD Dollar insurance assets and liabilities.

The 5% movement in the exchange rate for the following currencies against the US Dollar functional currency would impact the statement of income as follows:

	2020		*2019*	
	+5% Islamic Dinar '000	***-5% Islamic Dinar '000***	*+5% Islamic Dinar '000*	*-5% Islamic Dinar '000*
Euro	**(551)**	**609**	(46)	51
Japanese Yen	**-**	**-**	(167)	185

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its commitments associated with financial liabilities when they fall due.

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

The following table summarizes the maturities of the Corporation's undiscounted financial assets and financial liabilities at the end of reporting period:

	Less than 3 months Islamic Dinars '000	***3 to 12 months Islamic Dinars '000***	***1 to 5 years Islamic Dinars '000***	***Total Islamic Dinars '000***
31 December 2020				
Financial assets	**39,718**	**87,312**	**24,670**	**151,700**
Financial liabilities	**(9,867)**	**-**	**-**	**(9,867)**
31 December 2019				
Financial assets	131,874	49,520	40,069	221,463
Financial liabilities	(7,496)	-	-	(7,496)

22. RISK MANAGEMENT (continued)

Mark-up risk

Mark-up risk arises from the possibility that changes in mark-up rates will affect the value of the financial instruments. The Corporation is exposed to mark-up risk on its investments in cash and cash equivalents, Murabaha commodity placements and investments in Sukuk. In respect of the financial assets, the Corporation's returns are based on a benchmark and hence vary according to the market conditions.

The sensitivity analysis has been determined based on the exposure to mark-up rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point change is used when reporting mark-up rate risk internally to key management personnel and represents management's assessment of the possible change in mark-up rates.

At reporting date, if mark-up rates had been 50 basis points higher/lower and all other variables were held constant, the Corporation's net income would not be changed significantly.

Operational risk

The operational risk is defined as the risk of loss faced by a financial institution arising from failed processes, people and/or systems.

The Corporation has a full-fledged Risk Management function in place, which regularly monitors all operational risk aspects related to Islamic insurance as well as investment operations. In addition, it works very closely with the IsDB Risk Management Department (RMD) to ensure presence of an effective internal control system through which it attempts to manage its operational risk. Furthermore, the IsDB Internal Audit Department (IAD) regularly audits the Corporation's internal controls and recommends improvements under the risk based internal audit approach.

The Corporation continues to follow IsDB Group 'Best Practices and Customer Due Diligence Standards' and internal operational regulations when dealing with clients.

Shari'ah non-compliance risk (SNCR)

The Corporation defines Shari'ah non-compliance risk as the risk of losses resulting from non-adherence to Shari'ah rules and principles as determined by the IsDB Group Shari'ah Board. The Corporation attaches value in safeguarding its operations from Shari'ah non-compliance risk (SNCR). Shari'ah compliance forms an integral part of ICIEC's purpose in line with its Articles of Agreement. Consequently, the Corporation effectively manage SNCRs through leveraging on the IsDB Group wide robust framework of procedures and policies. The business or risk-taking unit, as the 1st line of defence, embeds a culture of Shari'ah compliance, while the IsDB Group Shari'ah Compliance function serves as the 2nd line of defence to strategically manage and monitor SNCRs pre-execution of transactions/operations. The IsDB Group Internal Shari'ah Audit function provides independent reasonable assurance as the 3rd line of defence post-execution of transactions/operations adopting a Risk-based Internal Shari'ah Audit (RBISA) methodology.

22. RISK MANAGEMENT (continued)

Geographical risk

The following table summarizes the gross Islamic insurance exposure country wise:

Country	***2020 Islamic Dinars '000***	*2019 Islamic Dinars '000*
Turkey	**567,836**	590,727
Senegal	**275,490**	182,231
Cote d'Ivoire	**251,727**	53,896
Indonesia	**123,552**	93,639
Egypt	**119,083**	167,922
Cameroon	**112,035**	130,111
Oman	**89,192**	107,294
Pakistan	**63,167**	132,233
Bangladesh	**59,301**	80,461
Germany	**45,370**	4,133
United States of America	**41,962**	5,143
United Kingdom	**40,819**	25,441
Kingdom of Saudi Arabia	**39,941**	197,365
United Arab Emirates	**38,318**	67,643
Bahrain	**35,033**	36,705
Other	**318,459**	548,796
Gross exposure	**2,221,285**	2,423,740
Ceded exposure to Reinsurers	**(1,461,951)**	(1,777,707)
Net exposure	**759,334**	646,033

23. CAPITAL MANAGEMENT

The capital structure consists of equity of the Corporation (comprising issued capital and reserve).

As the Corporation is a multilateral organization, the capital is not subject to external regulations. However, the Corporation intends to follow best industry practices in terms of prudent capital management policies. In this regard, the Corporation will be following Article of Agreement.

24. ZAKAT AND TAX TREATMENT

Since the Corporation is part of Baitul Mal (public money), it is not subject to Zakat or tax.

The Islamic Corporation for the Insurance of Investment and Export Credit

SUPPLEMENTARY FINANCIAL INFORMATION

Statement of Financial Position by Fund in Functional Currency (USD)

AS AT 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	2020			*2019*		
	Policyholders' Fund USD'000	**Shareholders' Fund USD'000**	**Total USD'000**	*Policyholders' Fund USD'000*	*Shareholders' Fund USD'000*	*Total USD'000*
ASSETS						
Cash and cash equivalents	**47,196**	**64,032**	**111,228**	34,342	139,822	174,164
Accounts receivable, net	**6,570**	**-**	**6,570**	6,821	-	6,821
Prepaid expenses and other assets	**4,246**	**1,160**	**5,406**	4,257	619	4,876
Due from affiliates	**333**	**-**	**333**	1,479	-	1,479
Available-for-sale investments	**-**	**21,836**	**21,836**	-	20,905	20,905
Murabaha commodity placements, net	**10,626**	**46,222**	**56,848**	-	47,468	47,468
Held-to-maturity investments	**-**	**129,386**	**129,386**	-	55,184	55,184
Reinsurance share of outstanding claims	**27,207**	**-**	**27,207**	35,462	-	35,462
Reinsurance share of unearned premiums	**57,076**	**-**	**57,076**	33,073	-	33,073
Property and equipment	**1,695**	**-**	**1,695**	1,130	-	1,130
Due from policyholders	**57,226**	**-**	**57,226**	62,465	-	62,465
TOTAL ASSETS	**212,175**	**262,636**	**474,811**	179,029	263,998	443,027
LIABILITIES AND EQUITY						
LIABILITIES						
Accounts payable and accruals	**19,292**	**1,744**	**21,036**	20,826	1,272	22,098
Due to affiliates	**509**	**14**	**523**	8,310	113	8,423
Claims payable	**435**	**-**	**435**	357	-	357
Pension liability	**22,670**	**-**	**22,670**	14,299	-	14,299
Outstanding claims reserves	**47,193**	**-**	**47,193**	52,021	-	52,021
Unearned premiums	**96,367**	**-**	**96,367**	58,765	-	58,765
TOTAL LIABILITIES	**186,466**	**1,758**	**188,224**	154,578	1,385	155,963

SUPPLEMENTARY FINANCIAL INFORMATION

Statement of Financial Position by Fund in Functional Currency (USD)

AS AT 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	2020			*2019*		
	Policyholders' Fund USD'000	**Shareholders' Fund USD'000**	**Total USD'000**	*Policyholders' Fund USD'000*	*Shareholders' Fund USD'000*	*Total USD'000*
EQUITY						
Shareholders' Fund						
Share capital	**-**	**200,683**	**200,683**	-	198,132	198,132
Reserves	**-**	**103,183**	**103,183**	-	99,857	99,857
Fair value reserve	**-**	**1,029**	**1,029**	-	62	62
Loan to Policyholders' Fund		**(44,017)**	**(44,017)**		(35,438)	(35,438)
Total Shareholders' Fund	**-**	**260,878**	**260,878**	-	262,613	262,613
Actuarial loss on pension liability related to Policyholders	**(18,308)**	**-**	**(18,308)**	(10,987)	-	(10,987)
Loan from Shareholders' Fund	**44,017**	**-**	**44,017**	35,438		35,438
TOTAL EQUITY	**25,709**	**260,878**	**286,587**	24,451	262,613	287,064
TOTAL LIABILITIES AND EQUITY	**212,175**	**262,636**	**474,811**	179,029	263,998	443,027

SUPPLEMENTARY FINANCIAL INFORMATION

Statement of Income by Fund in Functional Currency (USD)

FOR THE YEAR ENDED 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	2020			*2019*		
	Policyholders' Fund	**Shareholders' Fund**	**Total**	*Policyholders' Fund*	*Shareholders' Fund*	*Total*
	USD'000	**USD'000**	**USD'000**	*USD'000*	*USD'000*	*USD'000*
Investment income	**-**	**4,996**	**4,996**	-	5,484	5,484
Gross written premiums	**85,806**	**-**	**85,806**	59,320	-	59,320
Premiums ceded to reinsurers	**(61,291)**	**-**	**(61,291)**	(46,906)	-	(46,906)
	24,515	**4,996**	**29,511**	12,414	5,484	17,898
Net movement in unearned premiums	**(8,235)**	**-**	**(8,235)**	(830)	-	(830)
Net earned premiums / investment Income	**16,280**	**4,996**	**21,276**	**11,584**	5,484	17,068
Outward reinsurance commission	**12,713**	**-**	**12,713**	13,869	-	13,869
Policy fees earned	**288**	**-**	**288**	291	-	291
Total revenue	**29,281**	**4,996**	**34,277**	25,744	5,484	31,228
Gross claims paid	**(6,243)**	**-**	**(6,243)**	(3,870)	-	(3,870)
Reinsurance share of claims paid	**2,687**	**-**	**2,687**	2,100	-	2,100
Net claims paid	**(3,556)**	**-**	**(3,556)**	**(1,770)**	-	(1,770)
Change in net outstanding claims and other reserves	**(2,858)**	**-**	**(2,858)**	(983)	-	(983)
Net claims incurred	**(6,414)**	**-**	**(6,414)**	**(2,753)**	-	(2,753)

SUPPLEMENTARY FINANCIAL INFORMATION

Statement of Income by Fund in Functional Currency (USD)

FOR THE YEAR ENDED 31 DECEMBER 2020 (CORRESPONDING TO 16 JUMAD AL-AWWAL 1442H)

	2020			*2019*		
	Policyholders' Fund	**Shareholders' Fund**	**Total**	*Policyholders' Fund*	*Shareholders' Fund*	*Total*
	USD'000	**USD'000**	**USD'000**	*USD'000*	*USD'000*	*USD'000*
Investment management fees	**-**	**(231)**	**(231)**	-	(256)	(256)
Policy acquisition cost	**(1,203)**	**-**	**(1,203)**	(677)	-	(677)
Employee related costs	**(15,028)**	**-**	**(15,028)**	(12,777)	-	(12,777)
Sales and marketing expenses	**(571)**	**-**	**(571)**	(1,128)	-	(1,128)
General and administrative expenses	**(2,978)**	**(251)**	**(3,229)**	(3,054)	(174)	(3,228)
Impairment on available-for-sale investments	**-**	**(1,195)**	**(1,195)**	-	(4,555)	(4,555)
Total claims & expenses	**(26,194)**	**(1,677)**	**(27,871)**	(20,389)	(4,985)	(25,374)
Net income before exchange results	**3,087**	**3,319**	**6,406**	5,355	499	5,854
Income / (Loss) on foreign exchange translation	**2,152**	**7**	**2,159**	(2,626)	7,178	4,552
NET CORPORATE GAIN	**5,239**	**3,326**	**8,565**	2,729	7,677	10,406

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