AL AIN AHLIA INSURANCE COMPANY P.S.C.

Reports and consolidated financial statements for the year ended 31 December 2020

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Reports and consolidated financial statements for the year ended 31 December 2020

Al Ain Ahlia Insurance Company (PSC)

BOARD OF DIRECTORS' REPORT FOR 2020

We are pleased to present our 45[th] Annual Report on the company's business activities for 2020 together with the audited financial statements for the year ended 31 December 2020.

The economic consequences of the Covid-19 pandemic have been severe for all countries around the world. The IMF estimates that global growth contracted by 3.5 per cent in 2020. The UAE economy contracted by about 6 per cent in 2020 as both oil and non-oil sector GDP declined in real terms. The UAE faced a double whammy of sharply lower than expected oil revenue in 2020 in addition to the impact of the coronavirus on the non-oil sectors.

The UAE's economy is projected to grow 2.5 per cent in 2021, as the recovery from a pandemic induced slowdown this year continues. The rebound of the UAE economy in 2021 will be led by a 3.6 per cent expansion in the non-oil sector. Global growth is expected to rebound from the second quarter of 2021 For the UAE, the improvement in the global growth outlook together with a weaker US dollar, record low Interest rates and firmer oil prices should support the domestic recovery. Expo 2020, which was postponed to October 2021, should help to boost tourism in the latter part of this year.

As the UAE economy in general struggles to resume normal business post COVID related restrictions that were in place during this year, the insurance industry managed to maintain a growth in the topline during 2020. Despite of the above circumstances we have maintained our market position with an increase in net profit which grew by 32% compared to 2019.

The Gross premium income for 2020 amounted to Dh. 1,207,048,452 compared to Dh. 1,153,939,304 in 2019 and net underwriting profit for 2020 amounted to Dh. 164,659,870 compared to Dh. 116,848,279 in 2019.

Reserves for unearned premium amounted to Dh. 99,804,833 compared to Dh. 137,373,721 in 2019 and the net profit achieved by the Company amounted to Dh. 75,975,008 compared to Dh. 57,734,079 in 2019.

The results for each class of business are summarized as follows:

MARINE AND AVIATION

The total premium written amounted to Dh. 42,835,434 compared to Dh. 37,365,557 in 2019. The company's share in paid and outstanding claims amounted to Dh. 2,795,105 compared to Dh. 3,099,984 in 2019 and reserves for unearned premiums amounted to Dh. 1,000,597 compared to Dh. 652,030 in 2019.

NON-MARINE

The total premium written amounted to Dh. 1,164,213,017 compared to Dh. 1,116,573,746 in 2019. The company's share in paid and outstanding claims amounted to Dh. 103,525,554 compared to Dh. 183,169,087 in 2019 and reserves for unearned premiums amounted to Dh. 98,804,236 compared to Dh. 136,721,691 in 2019.

INVESTMENTS AND OTHER INCOME

Investment income for the year amounted to Dh. 9,824,442 compared to Dh. 31,483,169 in 2019.

PROFIT DISTRIBUTION

After the deduction of the required provisions for unearned premiums and outstanding claims, we suggest the approval of the following:

	Dirham
Proposed dividend @ 25% per share	37,500,000/-

The Board of Directors, on behalf of the Company, would like to express their gratitude and appreciation to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, President of the United Arab Emirates and the Ruler of Abu Dhabi and His Highness Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince for their assistance to the national Companies.

The Board of Directors also thanks all persons and organizations dealing with the Company within and outside the country and wishes to express their appreciation to the Management and Employees of the Company for their genuine efforts which contributed largely to this year's achievements.

The Board of Directors

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
AL AIN AHLIA INSURANCE COMPANY P.S.C.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Al Ain Ahlia Insurance Company P.S.C. and its subsidiary (together the "Group") which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
AL AIN AHLIA INSURANCE COMPANY P.S.C.

Key Audit Matters (continued)

Estimation uncertainty with respect to the measurement of outstanding claims liabilities
The financial statement risk
As described in Note 10 to the consolidated financial statements, outstanding claims liabilities for reported claims amounted to AED 366 million and claims incurred but not reported (IBNR) amounted to AED 270 million at the reporting date. The reinsurance share of outstanding claims amounted to AED 323 million at the reporting date. The outstanding claims liabilities at the reporting date represent the Group's expectations regarding future payments for known and unknown claims including associated expenses. The Group uses various methods to estimate these obligations. Measurement of these outstanding claims is highly judgmental and requires a number of assumptions to be made that exhibit substantial estimation uncertainty. This is particularly the case for those obligations that are recognised in respect of claims that have been incurred but not reported to the Group. Certain lines of business also contain greater inherent uncertainty, for example, those where claims emerge more slowly over time, or where there is greater variability in claim settlement amounts. The key assumptions that drive the outstanding claims calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, discount rates for longer tail classes of business. The valuation of outstanding claims liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating outstanding claims liabilities, or for forming judgements over key assumptions, is not complete and accurate, then material impacts on the valuation of such liabilities may arise. In addition, the valuation of the reinsurance share of outstanding claims is dependent on, but not directly correlated to, the valuation of the underlying claims outstanding. There is judgement involved in ascertaining the level of reinsurance share of IBNR held, which depends on the specific terms of the reinsurance contracts in place. We considered the measurement of the outstanding claims liabilities as a key audit matter due to the quantitative materiality of these obligations for the assets, liabilities and financial performance of the Group as well as the the significant judgements and the associated uncertainties in the estimates made by management in determining the amount of liabilities. For further information on the accounting policies relating to this key audit matter refer to Note 3.4 as well as Note 4 for disclosures about its key sources of estimation uncertainty.
How the matter was addressed in the audit
We obtained an understanding of the Group's claims process, the accounting policies and actuarial methods adopted for measurement of outstanding claims liabilities, and evaluated the design and assessed the implementation of key controls around the Group's process of managing and accounting for claims. We also performed risk-based substantive audit procedures.

Key audit matters (continued)

Estimation uncertainty with respect to the measurement of outstanding claims liabilities (continued)
How the matter was addressed in the audit (continued)
The primary substantive procedures which we performed to address this key audit matter included, but were not limited to, the following: • We verified, for a sample of outstanding claims, whether the estimated amounts of specific cases were adequately documented and substantiated by, for example, reports from loss adjusters; • We verified reconciliations between claims data recorded in the Group's systems and data used in the actuarial reserving calculations; • We assessed the competence, capabilities, qualifications and objectivity of the external actuary engaged by the Group for the valuation of technical provisions; • With the support of our actuaries, we compared the respective actuarial methods applied and the material assumptions with generally recognised actuarial practices and industry standards and examined to what extent these are appropriate for the valuation and consistent between reporting periods; • We recalculated the amount of the provisions for selected products, in particular products with substantial reserves or increased estimation uncertainties. For these products, we compared the recalculated provisions with the provisions calculated by the Group and evaluated any differences; • We compared claims transactions on a sample basis with supporting documentation to evaluate whether the claims reported during the reporting period were recorded in accordance with the Group's internal policy; • We inspected significant arrangements with reinsurers to obtain an understanding of contracts terms and assessed that recoveries from reinsurance on account of claims reported has been accounted for based on prevailing terms and conditions; and • We assessed the disclosures included in Note 3.4 and Note 10 in relation to outstanding claims against the relevant IFRS disclosure requirements.

Key Audit Matters (continued)

Estimation uncertainty with respect to provisions for unearned contribution reserves
The financial statement risk
The Group underwrites various classes of business which exhibit different risk patterns and tails of business. Gross premiums written comprise the total amount of premium receivables for the entire period covered under an insurance contract and are recognised on the date on which the insurance policy commences. The Group records a portion of net retained premiums as unearned premium reserves to cover the financial risks that have not expired at the reporting date. The application of an appropriate earnings patterns is therefore necessary in order to earn revenue in accordance with the financial risk of claims occurring for insurance policies. The unearned premium reserve is required to be calculated in accordance with the UAE Insurance Law relating to insurance companies. The provisions recognised for unearned premium reserves amounted to AED 561 million at the end of the reporting date. For further information on the accounting policies relating to this key audit matter refer to Note 3.4 as well as Note 4 for disclosures about its key sources of estimation uncertainty.
How the matter was addressed in the audit
We established an audit approach which included both testing the design and operating effectiveness of internal controls over revenue recognition and substantive audit procedures. Our audit procedures in respect of this matter included, but were not limited to, the following: • We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls over the process of capturing, processing and recording of information relating to recognition of revenue in the correct reporting period; • We assessed whether the Group's revenue recognition policy complied with IFRSs and tested the implementation of those policies. Specifically, we considered whether the premium on insurance policies are accounted for on the date of inception of policies, with the exception of premium income on marine cargo policies which is accounted for on the expected date of voyage, by testing a sample of revenue items to insurance contracts; • We compared the unearned premium reserve balance recorded in the consolidated financial statements to the reserve balance determined by the Group's external actuary; • We recalculated, on a sample basis, the unearned premium reserve based on the earning period of insurance contracts existing at the end of the reporting period; • We tested written policies on a sample basis where revenue was recorded close to year end and subsequent to year end, and evaluated whether these were recorded in the appropriate accounting period; and • We assessed the disclosures included in Note 3.4 in relation to this area against the relevant IFRS disclosure requirements.

INDEPENDENT AUDITOR'S REPORT

**TO THE SHAREHOLDERS OF
AL AIN AHLIA INSURANCE COMPANY P.S.C.**

Other Information

The Board of Directors are responsible for the other information. The other information comprises the Directors' Report of the Group but does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
AL AIN AHLIA INSURANCE COMPANY P.S.C.

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
AL AIN AHLIA INSURANCE COMPANY P.S.C.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- we have obtained all the information we considered necessary for the purposes of our audit;
- the consolidated financial statements of the Group have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015 and articles of association of the Company;
- the Group has maintained proper books of account;
- the financial information included in the Directors' report is consistent with the Group's books of account as far as it relates to the consolidated financial statements;
- Note 8 to the consolidated financial statements of the Group discloses purchased or investments in shares during the financial year ended 31 December 2020;
- Note 18 to the consolidated financial statements of the Group discloses material related party transactions and the terms under which these were conducted;
- The Group did not make any social contributions made during the financial year ended 31 December 2020; and
- based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended 31 December 2020 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or of its articles of association which would materially affect its activities or its financial position as at 31 December 2020.

Further, as required by the UAE Federal Law No. (6) of 2007, we report that we have obtained all information and explanations we consider necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Mohammad Khamees Al Tah
Registration No. 717
28 February 2021
Abu Dhabi
United Arab Emirates

Consolidated statement of financial position
as at 31 December 2020

	Notes	2020 AED'000	2019 AED'000 (restated)
ASSETS			
Property and equipment	5	790,513	807,147
Investment properties	6	74,342	84,673
Intangible assets		715	1,058
Statutory deposits	7	10,000	10,000
Financial assets carried at FVTOCI	8	301,243	284,777
Financial assets carried at FVTPL	8	445	26,001
Insurance receivables	9	230,415	218,009
Reinsurance contract assets	10	986,495	2,659,560
Other receivables and prepayments		55,167	36,294
Term deposits	11	165,954	198,475
Cash and cash equivalents	12	145,125	107,494
Total assets		2,760,414	4,433,488
EQUITY AND LIABILITIES			
Equity			
Share capital	13	150,000	150,000
Legal reserve	14	75,000	75,000
Technical reserve	14	8,083	8,083
General reserve	14	600,000	600,000
Reinsurance default reserve	14	4,968	-
Investment revaluation reserve		113,939	126,471
Retained earnings		218,500	199,993
Total equity		1,170,490	1,159,547
Liabilities			
Provision for employees' end of service benefits		40,570	40,807
Insurance and other payables	15	298,240	249,535
Insurance contract liabilities	10	1,210,915	2,952,282
Reinsurance deposit retained		25,169	18,624
Accruals and deferred income		15,030	12,697
Total liabilities		1,589,924	3,273,941
Total equity and liabilities		2,760,414	4,433,488

To the best of our knowledge, the consolidated financial statements present fairly in all material respects the financial condition, financial performance and cash flows of the Group as of, and for, the periods presented therein.

These consolidated financial statements were approved by the Board of Directors and authorised for issue on 28 February 2021 and signed on its behalf:

Chairman	General Manager	Chief Financial Officer

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

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Gross premium		**1,207,048**	1,153,939
Reinsurance share of gross premium		**(993,601)**	(878,445)
Net premium		**213,447**	275,494
Net change in unearned premium		**37,568**	17,040
Net premium earned		**251,015**	292,534
Commission earned		**118,099**	84,530
Commission expense		**(86,657)**	(61,459)
Gross underwriting income		**282,457**	315,605
Gross claims paid		**(3,776,370)**	(1,056,401)
Reinsurance share of claims paid		**3,639,316**	876,102
Net claims paid		**(137,054)**	(180,299)
Change in insurance contract liabilities		**1,751,909**	317,341
Change in reinsurance contract assets		**(1,721,175)**	(323,311)
Net claims incurred		**(106,320)**	(186,269)
Other underwriting income		**1,910**	1,372
Other underwriting expenses		**(13,387)**	(13,860)
Net underwriting income		**164,660**	116,848
Income from investments - net	**16**	**14,612**	23,816
Loss from investment property – net	**6**	**(7,746)**	(22)
Other income		**2,958**	7,689
Gross income		**174,484**	148,331
General and administrative expenses	**17**	**(98,509)**	(90,597)
Profit for the year		**75,975**	57,734
Basic and diluted earnings per share	**19**	**5.07**	3.85

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

Consolidated statement of profit or loss and other comprehensive income (continued) for the year ended 31 December 2020

	2020 **AED'000**	2019 AED'000
Profit for the year	**75,975**	57,734
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Fair value (loss)/gain on equity instruments designated at FVTOCI (note 8)	**(13,343)**	20,711
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on debt instruments measured at FVTOCI (note 8)	**811**	3,268
Total other comprehensive (loss)/income for the year	**(12,532)**	23,979
Total comprehensive income for the year	**63,443**	81,713

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

Consolidated statement of changes in equity
for the year ended 31 December 2020

	Share capital AED'000	Statutory reserve AED'000	Technical reserve AED'000	General reserve AED'000	Investment revaluation reserve AED'000	Reinsurance default reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2020 (as restated)	150,000	75,000	8,083	600,000	126,2471	-	199,993	1,159,547
Profit for the year	-	-	-	-	-	-	75,975	75,975
Other comprehensive loss for the year	-	-	-	-	(12,532)	-	-	(12,532)
Total comprehensive income for the year	-	-	-	-	(12,532)	-	75,975	63,443
Dividends (note 24)	-	-	-	-	-	-	(52,500)	(52,500)
Transfer to reinsurance default reserve	-	-	-	-	-	4,968	(4,968)	-
Balance at 31 December 2020	**150,000**	**75,000**	**8,083**	**600,000**	**113,939**	**4,968**	**218,500**	**1,170,490**

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

Consolidated statement of changes in equity for the year ended 31 December 2020 (continued)

	Share capital AED'000	Statutory reserve AED'000	Technical reserve AED'000	General reserve AED'000	Investment revaluation reserve AED'000	Retained earnings AED'000	Total equity AED'000
Balance at 1 January 2019 – as previously reported and restated previously	150,000	75,000	8,083	600,000	102,492	208,470	1,144,045
Effect of prior period error (note 25)	-	-	-	-	-	(43,711)	(43,711)
Balance at 1 January 2019 (as restated)	150,000	75,000	8,083	600,000	102,492	164,759	1,100,334
Profit for the year	-	-	-	-	-	57,734	57,734
Other comprehensive income for the year	-	-	-	-	23,979	-	23,979
Total comprehensive income for the year	-	-	-	-	23,979	57,734	81,713
Dividends (note 24)	-	-	-	-	-	(22,500)	(22,500)
Balance at 31 December 2019 – as restated	**150,000**	**75,000**	**8,083**	**600,000**	**126,471**	**199,993**	**1,159,547**

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

Consolidated statement of cash flows
for the year ended 31 December 2020

	Notes	2020 AED'000	2019 AED'000
Cash flows from operating activities			
Profit for the year		**75,975**	57,734
Adjustments for:			
Depreciation of property and equipment		**16,908**	17,004
Amortization of intangible assets		**405**	427
Change in fair value of investment properties		**10,331**	4,204
Changes in fair value of financial assets carried at FVTPL		**444**	(1,490)
Loss on sale of financial assets carried at FVTPL		**5,138**	-
Provision for doubtful debts		**4,964**	1,000
Interest and dividend income		**(20,335)**	(22,326)
Provision for employees' end-of-service benefits		**4,949**	2,823
Cash flow from operating activities before movement in working capital		**98,779**	59,376
Decrease in reinsurance contracts assets		**1,673,065**	303,707
Decrease in insurance contracts liabilities		**(1,741,367)**	(314,777)
Increase in insurance receivables		**(17,370)**	(10,216)
Increase in other receivables and prepayments		**(18,873)**	(3,211)
Increase/(decrease) in insurance and other payables		**48,705**	(115,045)
Increase in reinsurance deposits retained		**6,545**	870
End of service benefits paid		**(5,182)**	(5,225)
Increase/(decrease) in accruals and deferred income		**2,333**	(1,959)
Net cash generated from/(used in) operating activities		**46,635**	(86,480)
Cash flows from investing activities			
Payments for purchase of property and equipment		**(566)**	(4,693)
Payments for purchase of intangible assets		**(62)**	(177)
Purchase of investment property		**-**	(711)
Purchase of financial assets carried at FVTOCI		**(31,183)**	(17,623)
Proceeds from sale of financial assets carried at FVTOCI		**2,185**	-
Proceeds from sale of financial assets carried at FVTPL		**19,974**	-
Change in term deposits maturing for more than three months		**32,521**	45,682
Proceeds from sale of property & equipment		**292**	-
Interest and dividend received		**20,335**	22,326
Net cash generated from investing activities		**43,496**	44,804
Cash flows from financing activity			
Dividends paid		**(52,500)**	(22,500)
Net cash used in financing activity		**(52,500)**	(22,500)
Net increase/(decrease) in cash and cash equivalents		**37,631**	(64,176)
Cash and cash equivalents at the beginning of the year		**107,494**	171,670
Cash and cash equivalents at the end of the year (note 12)		**145,125**	107,494

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

Notes to the consolidated financial statements for the year ended 31 December 2020

1 Legal status and activities

Al Ain Ahlia Insurance Company P.S.C (the "Company") is incorporated in Abu Dhabi with limited liability by Law No. (18) of 1975. Al Ain Ahlia Insurance Company P.S.C is registered as a public shareholding company in accordance with the Federal Law No. (2) of 2015.

The Federal Decree-Law No. 26 of 2020 on the amendment of certain provisions of Federal Law No. 2 of 2015 on Commercial Companies was issued on 27 September 2020 and shall take effect starting from the 2 January 2021. The Company shall apply and adjust their status in accordance with the provisions thereof by no later than one year from the date on which this Decree-Law takes effect.

The Company's principal activity is underwriting of all classes of insurance in accordance with the provisions of the UAE Federal Law No. (6) of 2007 regarding the Establishment of the Insurance Authority and Insurance Operations.

The Company is domiciled and operates in the UAE and its registered address is P.O. Box 3077, Abu Dhabi, United Arab Emirates. The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company had 226 employees as of 31 December 2020 (31 December 2019: 250) during the reporting period.

The consolidated financial statements comprise the Company and its subsidiary, Al Bandar Investment owned by Al Ain Ahlia Insurance, one person company L.L.C (100% owned) (together referred to as "the Group").

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

2.1 New and revised IFRSs applied with no material effect on the financial statements

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

- **Amendments to *Interest Rate Benchmark Reform in IFRS 9 and IFRS 7*:**

  The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.
- **Amendments to IFRS 16 *Leases* relating to Covid-19-Related Rent Concessions:**

  The amendments provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 June 2020.
- **Amendments to *Reference to the Conceptual Framework in IFRS Standards*:**

  The amendments include consequential amendments to affected Standards so that they refer to the new Framework. The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

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

2.1 New and revised IFRSs applied with no material effect on the financial statements (continued)

- **Amendments to IFRS 3 *Definition of a business*:**

  The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired 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 outputs. The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired. The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or Company of similar assets.

- **Amendments to IAS 1 and IAS 8 *Definition of material*:**

  The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term ‘material’ to ensure consistency.

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

2.2 New and revised IFRS in issue but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
IFRS 17 *Insurance Contracts*	1 January 2023
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.	
The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policy holders' options and guarantees.	
In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.	

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

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date not yet decided
The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.	
Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments are applied retrospectively.	

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

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework* The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment* related to proceeds before intended use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories. The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	1 January 2022

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

2.2 New and revised IFRS in issue but not yet effective (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets related to Onerous Contracts—Cost of Fulfilling a Contract* The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 cycle amending IFRS 1, IFRS 9, IFRS 16 and IAS 41	The amendments to IFRS 1, IFRS 9 and IAS 41 are effective from 1 January 2022 and the effective date for amendments to IFRS 16 Leases are not yet decided.

The above stated new standards and amendments are not expected to have any significant impact on consolidated financial statement of the Group.

There are no other applicable new standards and amendments to published standards or IFRIC interpretations that have been issued that would be expected to have a material impact on the consolidated financial statement of the Group.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Group in the period of initial application, except for IFRS 17 and IFRS 9.

3 Summary of significant account policies

3.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and applicable requirements of United Arab Emirates (UAE) Federal Law No. 2 of 2015 and Federal Law No. 6 of 2007, concerning the formation of Insurance Authority of UAE, as well as the Insurance Authority Financial Regulations for insurance companies (the "Regulations").

3.2 Basis of preparation

The consolidated financial statements are prepared under the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The consolidated financial statements are presented in UAE Dirhams (AED) being the functional and presentation currency of the Group. All the financial information has been presented in these consolidated financial statements has been rounded off to nearest thousands (AED '000) except where otherwise indicated.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Group and entities (including structured entities) controlled by the Group and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The consolidated financial statements include:

	Principal activity	**Country of incorporation**
Al Bandar Investment owned by Al Ain Ahlia Insurance one person company LLC	Investment management in commercial enterprises, retail trade enterprises, oil and natural gas, agricultural enterprises, industrial enterprises, educational enterprises and tourist enterprises.	United Arab Emirates

Al Ain Ahlia Insurance Company PSC has control over the above company and derives economic benefit from equity holdings and technical services agreements. The group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity via management agreements and accordingly, the entity is consolidated as wholly owned subsidiary in these consolidated financial statements. Accordingly, the consolidated financial statements incorporate 100% of the assets, liabilities, income and expenses of the above company.

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

3 Summary of significant account policies (continued)

3.3 Basis of consolidation (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3 Summary of significant account policies (continued)

3.4 Insurance contracts

3.4.1 Product classification

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

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

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

3.4.2 Recognition and measurement

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

These contracts are general insurance contracts and life assurance contracts.

3.4.2.1 General insurance contracts

Premiums are recognised as revenue (earned premiums) proportionally over the period of coverage. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown in the income statement before deduction of commission.

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders.

3 Summary of significant account policies (continued)

3.4 Insurance contracts (continued)

3.4.2 Recognition and measurement (continued)

3.4.2.2 Life assurance contracts

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

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

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

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

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

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

3.4.3 Reinsurance contracts

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

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

3 Summary of significant account policies (continued)

3.4 Insurance contracts (continued)

3.4.3 Reinsurance contracts (continued)

The Group assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract assets are impaired, the Group reduces the carrying amount of the reinsurance contract assets to their recoverable amounts and recognises that impairment loss in the income statement. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as expenses when due.

The Group also assumes reinsurance risk in the normal course of business for life insurance and general insurance contracts where applicable. Premium and claims on assumed reinsurance contracts are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

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

3.4.4 Insurance contract liabilities

3.4.4.1 Unearned premium reserve

At the end of the reporting period, proportions of net retained premium of the general insurance, group life and medical insurance are provided, based on actuarial estimates obtained from an independent actuary, to cover portions of risks which have not expired on time proportion basis except for marine which is calculated at 25%.

3.4.4.2 Outstanding claims reserve

Insurance contract liabilities towards outstanding claims are recognised for all claims intimated and unpaid at the end of the reporting period. These liabilities are known as the claims under settlement reserve, which is based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the end of the reporting period. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when it is expired, discharged or cancelled.

3.4.4.3 Incurred but not reported reserve

A provision is made for any claims Incurred But Not Reported (IBNR) at the reporting date based on an actuarial estimate obtained from an independent actuary. The method used to calculate claims incurred but not reported takes into account certain ratios based on historical data, past estimates and details of reinsurance programs to assess the quantum of reinsurance recoveries.

3 Summary of significant account policies (continued)

3.4 Insurance contracts (continued)

3.4.4 Insurance contract liabilities (continued)

3.4.4.4 Unallocated loss adjustment expense

A provision for Unallocated Loss Adjustment Expenses (ULAE), which cannot be allocated to specific claims, is made at the reporting date based on actuarial estimates obtained from an independent actuary.

3.4.5 Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of the insurance contract liabilities net of related deferred policy acquisition costs. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities, are used. Any deficiency is immediately charged to the statement of income initially by writing off the deferred policy acquisition costs and by subsequently establishing a provision for losses arising from liability adequacy tests.

3.4.6 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers, insurance contract holders and reinsurance companies.

If there is objective evidence that the insurance receivable is impaired, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement.

3.4.7 Salvage and subrogation reimbursements

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

3.5 Revenue recognition

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

<u>Revenue from insurance contracts</u>

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these consolidated financial statements.

<u>Commission income</u>

Commission income is recognised when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers.

3 Summary of significant account policies (continued)

3.5 Revenue recognition (continued)

Dividend income

Dividend income is recognised when the Group's right to receive the payment has been established.

Interest income

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

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

3.6 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. The cost of property and equipment is their purchase cost, together with any incidental expenses of acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated so as to write off the cost of property and equipment on a straight-line basis over their expected useful economic lives.

The principal useful life used for this purpose are:

Building	40 years
Office decoration	3-4 years
Furniture and equipment	3-4 years
Motor vehicles	3-4 years

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

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of income.

3 Summary of significant account policies (continued)

3.7 Investment properties

Investment properties are held for the generation of income or capital appreciation and are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise.

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

Transfers are made to or from investment property only when there is a change in use.

3.8 Impairment of tangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use.

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

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

3 Summary of significant account policies (continued)

3.9 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when 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 recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.10 Employee benefits

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

Provision is also made for end of service benefits due to non-UAE national employees in accordance with the Group's policy, which is at least equal to the benefits payable in accordance with UAE Labour Law, for their period of service up to the end of the reporting period.

Pension contributions are made in respect of UAE national employees to the Abu Dhabi Pension Authority, calculated in accordance with Government regulations. Such contributions are charged to the statement of income during the employees' period of service.

3.11 Financial assets

<u>Classification and measurement</u>

The Group has the following financial assets: cash and cash equivalents, insurance and reinsurance balances receivables, investments at fair value through other comprehensive income and investments at fair value through profit or loss. The classification depends on the nature of the financial asset and is determined at the time of initial recognition.

<u>Cash and cash equivalents</u>

Cash and cash equivalent include cash on hand and deposits held at call with banks with original maturities of three months or less.

<u>Insurance and reinsurance balances receivables</u>

Insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective rate or return method, less any impairment. Return income is recognised by applying the effective rate of return, except for short term receivables when the recognition of return income would be immaterial.

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

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Investments at fair value through other comprehensive income (equity instruments)

Investments at fair value through other comprehensive income (equity instruments) are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in other comprehensive income and dividend income is credited to statement of income when the right to receive the dividend is established.

Investments at fair value through other comprehensive income (debt instruments)

Investments at fair value through other comprehensive income (debt instruments) are initially recorded at cost and subsequently measured at fair value. Interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Investments at fair value through profit or loss

Investments at fair value through profit or loss are initially recorded at cost and subsequently measured at fair value. Subsequent changes in fair value and gains or losses arising on disposal are recognised in statement of income, profit from debt securities is recognized in statement of income and dividend income is credited to statement of income when the right to receive the dividend is established.

Derecognition of financial assets

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

Impairment of financial assets

The Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets (continued)

a) Overview

The Group is recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Group has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Group categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Group recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Group records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

The accounts which are restructured due to credit reasons in past 12 months will be classified under stage 2.

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

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets (continued)

b) The calculation of ECLs

The Group calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Group recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

3 Summary of significant account policies (continued)

3.11 Financial assets (continued)

Impairment of financial assets (continued)

c) Forward looking information

The Group, for forward looking information, relies on a broad range of forward looking information as economic inputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

3.12 Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Trade payables and accruals

Trade payables and accruals are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective rate of return, with the expense recognised on an effective yield basis.

The effective rate of return is a method of calculating the amortised cost of a financial liability and of allocating the expense over the relevant period. The effective rate of return is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or have expired.

3 Summary of significant account policies (continued)

3.13 Dividends distribution

Dividend distribution to the Shareholders is recognised as a liability in the consolidated financial statements in the period in which the dividends are approved by the Shareholders.

4 Critical accounting judgments and key sources of estimation uncertainty

While applying the accounting policies as stated in Note 3, management of the Group has made certain judgements, estimates and assumptions that are not readily apparent from other sources.The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period of the revision in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The significant judgements and estimates made by management, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

<u>Unearned premium reserve</u>

The provision for unearned premium represents that portion of premium received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when contracts are entered into and premiums are charged, and is brought to account as premium income over the term of the contract in accordance with the pattern of insurance service provided under the contract. The Group recognised revenue in accordance with the UAE Insurance Law and management determined that the Group’s revenue recognition policy is in accordance with IFRS.

<u>Fair value of investment properties</u>

External valuers may be involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include their market knowledge, reputation, independence and whether professional standards are maintained. Management decided, after discussions with the Group’s external valuers, which valuation techniques and inputs to use for each case.

Management, in conjunction with the Group’s external valuers, also compares changes in fair value of each property with relevant external sources to determine whether the change is reasonable.

<u>Impairment of insurance and reinsurance receivables</u>

An estimate of the collectible amount of insurance and reinsurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance and reinsurance receivables are impaired entails the Group in evaluating the credit and liquidity position of policyholders, brokers and agents and insurance companies, historical recovery rates including detailed assessments carried out and feedback received from the Group’s legal department. Impairment of insurance and reinsurance receivables as at 31 December 2020 amounted to AED 20.5 million (2019: AED 15.5 million).

4 Critical accounting judgments and key sources of estimation uncertainty (continued)

Liabilities arising from insurance claims

The estimation of liabilities arising from claims made under insurance contracts is the Group's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Group will eventually pay for such claims. Estimates have to be made both for the expected cost of claims reported and for the expected cost of claims incurred but not reported ("IBNR"). Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Group and management estimates based on past claims settlement trends for the claims incurred but not reported. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision. Details in regard to liabilities arising from reported and not reported claims are disclosed in note 10.

Liability adequacy test

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of takaful contract liabilities. The Group makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the statement of income.

5 Property and equipment

	Land AED '000	Building AED '000	Office decoration AED '000	Furniture and equipment AED '000	Motor vehicles AED '000	Total AED '000
Cost						
At 1 January 2019 – as restated	296,312	534,916	232	16,960	3,460	851,880
Addition	4,455	-	9	147	82	4,693
Disposal	-	-	-	(28)	(1,033)	(1,061)
At 1 January 2020	300,767	534,916	241	17,079	2,509	855,512
Addition	-	-	98	468	-	566
Disposal	-	(460)	-	-	-	(460)
At 31 December 2020	**300,767**	**534,456**	**339**	**17,547**	**2,509**	**855,618**

5 Property and equipment (continued)

	Land AED '000	Building AED '000	Office decoration AED '000	Furniture and equipment AED '000	Motor vehicles AED '000	Total AED '000
Accumulated depreciation						
At 1 January 2019 – as restated	-	22,673	172	6,846	2,731	32,422
Charge for the year	-	13,128	34	3,470	372	17,004
Disposal	-	-	-	(28)	(1,033)	(1,061)
At 1 January 2020	-	35,801	206	10,288	2,070	48,365
Charge for the year	-	13,113	40	3,421	334	16,908
Disposal	-	(168)	-	-	-	(168)
At 31 December 2020	**-**	**48,746**	**246**	**13,709**	**2,404**	**65,105**
Carrying value						
31 December 2020	**300,767**	**485,710**	**93**	**3,838**	**105**	**790,513**
31 December 2019	300,767	499,115	35	6,791	439	807,147

6 Investment properties

	Land AED '000	Building AED '000	Total AED
At 1 January 2019 – as reported and previously restated	31,944	99,933	131,877
Effect or prior period error (note 25)	-	(43,711)	(43,711)
At 1 January 2019 – as restated	31,944	56,222	88,166
Additions during the year	-	711	711
Change in fair value	(2,904)	(1,300)	(4,204)
At 1 January 2020 – as restated	29,040	55,633	84,673
Change in fair value	(3,840)	(6,491)	(10,331)
At 31 December 2020	**25,200**	**49,142**	**74,342**

The Group enters into operating leases for its investment properties. Amounts recognised in profit or loss in respect of investments properties are as follows:

	2020 AED'000	2019 AED'000
Rental income from investment properties	**3,511**	4,986
Direct operating expenses	**(926)**	(804)
Decrease in fair value of investment properties	**(10,331)**	(4,204)
Net loss arising from investment properties	**(7,746)**	(22)

Investment properties are stated at fair value which represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. The investment properties were valued as at 31 December 2020 by an independent valuer at AED 74.3 million using the income approach for building and comparable approach for land plots.

The fair values were determined based on the capitalisation of net income method, where the market rentals of all lettable units of the properties are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar properties in the neighbourhood. The capitalisation rate adopted is made by reference to the yield rates observed by the valuer for similar properties in the locality and adjusted based on the factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

6 Investment properties (continued)

For the valuation of the property the following significant inputs were used:

- Two buildings located in Abu Dhabi and Al Ain with fair values of AED 14 million (2019: AED 17 million) and AED 8.7 million (2019: AED 8.9 million) respectively. The rental income for the year net of expenses from each building amounted to AED 0.8 million (2019: AED 1.07 million) and AED 0.7 million (2019: 0.7 million) respectively.
- A warehouse in Mussafah with a fair value of AED 12.2 million (2019: AED 12.8 million). The rental income for the year net of expenses from the warehouse amounted to AED 1 million (2019: AED 1 million).
- Two plots of land in Dubai with fair value of AED 25.2 million (2019: AED 29 million). The plots are held for capital appreciation and used by the Group for future investment opportunities.

The investment properties are classified as Level 3. There were no transfers between Level 1 and 2 or to Level 3 during current and previous year.

There are no restrictions on the realisability of investment properties. The Group has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements. The properties are not pledged as collateral.

7 Statutory deposit

In accordance with the requirements of UAE Federal Law No. (6) of 2007 covering insurance companies and agencies, the Group maintains a bank deposit of AED 10,000,000 (2019: AED 10,000,000) which cannot be utilized without the consent of the UAE Insurance Authority.

8 Investments in securities

The Group's investments at the end of the reporting period are detailed below:

	2020	2019
	AED'000	AED'000
Financial assets carried at FVTOCI		
Quoted UAE equity securities	**212,220**	211,021
Quoted UAE debt securities	**86,444**	71,177
Unquoted non- UAE equity securities	**2,579**	2,579
	301,243	284,777
Financial assets carried at FVTPL		
Quoted UAE equity securities	**445**	26,001

8 Investments in securities (continued)

The movement in the investments in securities is as follows:

	2020 **AED'000**	2019 AED'000
Financial assets carried at FVTOCI		
At 1 January	**284,777**	243,175
Purchases	**31,183**	17,623
Disposal	**(2,185)**	
Change in fair value taken to other comprehensive income:		
Equity instruments	**(13,343)**	20,711
Debt instruments	**811**	3,268
At 31 December	**301,243**	284,777
Financial assets carried at FVTPL		
At 1 January	**26,001**	24,511
Disposals	**(25,112)**	-
Fair value (loss)/gain recognised in profit or loss (note 16)	**(444)**	1,490
At 31 December	**445**	26,001

The geographical distribution of investments is as follows:

	2020 **AED'000**	2019 AED'000
Quoted UAE equity securities	**212,665**	237,022
Quoted UAE debt securities	**86,444**	71,177
Unquoted outside UAE equity securities	**2,579**	2,579
	301,688	310,778

8 Investments in securities (continued)

The following table provides an analysis of financial instrument that are measured subsequent to initial recognition at fair value into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 – fair value measurements that are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements that are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

  Level 3 – fair value measurements that are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Management has determined the fair value of these unquoted investments by applying an appropriate risk adjusted liquidity discount on the net assets of the investee companies.

	Level 1 AED'000	**Level 2 AED'000**	**Level 3 AED'000**	**Total AED'000**
2020				
Financial assets carried at FVTOCI				
- Investment in quoted securities	**298,664**	**-**	**-**	**298,664**
- Investment in unquoted securities			**2,579**	**2,579**
	298,664	**-**	**2,579**	**301,243**
Financial assets carried at FVTPL				
- Investment in quoted securities	**445**	**-**	**-**	**445**
2019				
Financial assets carried at FVTOCI				
- Investment in quoted securities	282,198	-	-	282,198
- Investment in unquoted securities	-	-	2,579	2,579
	282,198	-	2,579	284,777
Financial assets carried at FVTPL				
- Investment in quoted securities	26,001	-	-	26,001

During the year, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements.

9 Insurance receivables

	2020 AED'000	2019 AED'000
Due from brokers and agents	**68,342**	74,745
Due from policy holders	**61,761**	75,796
Due from related parties (note 18)	**22,284**	16,782
Impairment allowance	**(20,464)**	(15,500)
	131,923	151,823
Due from insurance and reinsurance companies	**98,492**	66,186
	230,415	218,009

The average credit period on insurance contracts is 180 days (2019: 180 days). No interest is charged on insurance and other receivables.

Amounts due from policyholders and insurance and reinsurance companies' balances consists of a large number of customers and insurance and reinsurance companies. The Group's terms of business require amounts to be paid in accordance with arrangements reached with the policy holders and insurance companies.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of a insurance receivable, the Group considers any change in the credit quality of the insurance receivable from the date credit was initially granted up to the reporting date.

Inside UAE:

	2020 AED'000	2019 AED'000
Due from insurance and reinsurance companies	**36,122**	14,675
Due from brokers and agents	**49,382**	58,361
Due from policyholders	**61,761**	75,796
	147,265	148,832

9 Insurance receivables (continued)

Inside UAE (continued):

The ageing for the trade receivables inside the UAE is as follows:

	31 December 2020			
	Policy holders AED '000	**Insurance and reinsurance companies AED '000**	**Brokers and agents AED '000**	**Total AED '000**
Neither past due nor impaired	**9,652**	**23,446**	**28,095**	**61,193**
91-120 days	**4,038**	**2,260**	**7,757**	**14,055**
121-180 days	**6,457**	**9,595**	**4,084**	**20,136**
181-365 days	**14,033**	**147**	**4,607**	**18,787**
Over 365 days	**27,581**	**674**	**4,839**	**33,094**
Total	**61,761**	**36,122**	**49,382**	**147,265**

	31 December 2019			
	Policy holders AED '000	Insurance and reinsurance companies AED '000	Brokers and agents AED '000	Total AED '000
Neither past due nor impaired	22,307	12,336	42,331	76,974
91-120 days	20,847	1,196	3,979	26,022
121-180 days	3,061	388	3,431	6,880
181-365 days	7,417	573	5,163	13,153
Over 365 days	22,164	182	3,457	25,803
Total	75,796	14,675	58,361	148,832

Outside UAE:

	2020 AED'000	2019 AED'000
Due from insurance and reinsurance companies	**62,370**	51,511
Due from brokers and agents	**18,960**	16,384
	81,330	67,895

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

9 Insurance receivables (continued)

Outside UAE (continued):

The ageing for the trade receivables outside the UAE is as follows:

	31 December 2020 Insurance and reinsurance companies AED '000	Brokers and agents AED '000	Total AED '000
Neither past due nor impaired	**53,485**	**8,954**	**62,439**
91-120 days	**1,355**	**550**	**1,905**
121-180 days	**2,312**	**1,172**	**3,484**
181-365 days	**2,237**	**1,157**	**3,394**
Over 365 days	**2,981**	**7,127**	**10,108**
Total	**62,370**	**18,960**	**81,330**

	31 December 2019 Insurance and reinsurance companies AED '000	Brokers and agents AED '000	Total AED '000
Neither past due nor impaired	36,461	3,952	40,413
91-120 days	620	3,053	3,673
121-180 days	1,608	1,464	3,072
181-365 days	10,424	1,981	12,405
Over 365 days	2,398	5,934	8,332
Total	51,511	16,384	67,895

Impairment allowance:

	2020 AED'000	2019 AED'000
At 1 January	**15,500**	14,500
Impairment recognised during the year	**4,964**	1,000
At 31 December	**20,464**	15,500

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

10 Insurance contract liabilities and re-insurance contract assets

	31 December 2020			31 December 2019		
	Gross technical reserves AED'000	**Reinsurers' share of technical reserves AED'000**	**Net AED'000**	Gross technical reserves AED'000	Reinsurers' share of technical reserves AED000	Net AED'000
Property and liability insurance						
Outstanding claims	**365,506**	**322,466**	**43,040**	2,077,084	2,027,704	49,380
Claims incurred but not reported (IBNR)	**269,571**	**202,179**	**67,392**	314,962	218,548	96,414
Unallocated loss adjustments (ULAE)	**8,891**	**-**	**8,891**	6,100	-	6,100
Unearned premiums	**560,107**	**460,497**	**99,610**	548,473	411,534	136,939
Unexpired risk reserve	**4,934**	**-**	**4,934**	2,822	-	2,822
	1,209,009	**985,142**	**223,867**	2,949,441	2,657,786	291,655
Insurance of persons and fund accumulation						
Outstanding claims	**68**	**49**	**19**	131	111	20
Claims incurred but not reported (IBNR)	**846**	**778**	**68**	351	284	67
Unallocated loss adjustments (ULAE)	**8**	**-**	**8**	3	-	3
Unearned premiums	**721**	**526**	**195**	1,813	1,379	434
Unexpired risk reserve	**263**	**-**	**263**	543	-	543
	1,906	**1,353**	**553**	2,841	1,774	1,067
Consolidated						
Outstanding claims	**365,574**	**322,515**	**43,059**	2,077,215	2,027,815	49,400
Claims incurred but not reported (IBNR)	**270,417**	**202,957**	**67,460**	315,313	218,832	96,481
Unallocated loss adjustments (ULAE)	**8,899**	**-**	**8,899**	6,103	-	6,103
Unearned premiums	**560,828**	**461,023**	**99,805**	550,286	412,913	137,373
Unexpired risk reserve	**5,197**	**-**	**5,197**	3,365	-	3,365
	1,210,915	**986,495**	**224,420**	2,952,282	2,659,560	292,722

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

11 Term deposits

Fixed deposits with bank amounting to AED 166 million as at 31 December 2020 (31 December 2019: AED 198 million), carries average interest at the rate of 2.53% per annum (31 December 2019: 3.50%) with maturity of 1 year.

12 Cash and cash equivalent

	2020	2019
	AED'000	AED'000
Cash at bank	**144,725**	107,007
Cash in hand	**400**	487
Cash and cash equivalent	**145,125**	107,494

13 Share capital

	2020	2019
	AED'000	AED'000
Authorised, issued and fully paid		
15,000,000 shares of AED 10 each	**150,000**	150,000

14 Reserves

Legal reserve

In accordance with the UAE Federal Law No. (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution

General reserve

The General reserve is established to enhance the capital base of the Group.

Reinsurance default reserve

The transfer from retained earnings to reinsurance default reserve is made in accordance with the Insurance Authority (IA) of UAE's Board of Directors Decision No. (23) of 2019 concerning instructions organizing reinsurance operations. The directive requires to allocate an amount equals to 0.5% of the total reinsurance premiums ceded by the Group in order to create a provision for the probability of failure of any of the reinsurers with whom the Group deals to pay what is due to the Group or default in its financial position.

Technical reserve

The Technical reserve is established to cover unforeseen future risks, which may arise from general insurance risks.

15 Insurance and other payables

	2020 **AED'000**	2019 AED'000
Payable inside – UAE	**219,517**	190,245
Payable outside – UAE	**78,723**	59,290
	298,240	249,535
Inside UAE		
Due to policy holders	**75,520**	17,598
Due to insurance and reinsurance companies	**35,130**	53,883
Due to brokers and agents	**26,351**	29,901
Dividends payable	**15,661**	15,769
Directors remuneration (note 18)	**8,442**	6,415
Other payables	**58,413**	66,679
	219,517	190,245

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

15 Insurance and other payables (continued)

	2020	2019
	AED'000	AED'000
Outside UAE		
Due to insurance and reinsurance companies	**29,469**	37,834
Due to brokers and agents	**49,254**	21,456
	78,723	59,290

Insurance and other payables are due in less than one year. Insurance payable are non-interest bearing and are normally settled within 60-90 days.

16 Income from investments – net

	2020	2019
	AED'000	AED'000
Dividend income	**11,326**	12,516
Interest income	**9,009**	9,810
Fair value (loss)/gain on financial assets carried at FVTPL (note 8)	**(444)**	1,490
Loss on sale of investment carried at FVTPL	**(5,138)**	-
Others	**(141)**	-
	14,612	23,816

17 General and administrative expenses

	2020	2019
	AED'000	AED'000
Staff costs	**56,835**	54,506
Depreciation and Amortisation	**17,313**	17,431
Directors remuneration	**8,442**	6,415
Provision for doubtful debts	**4,964**	1,000
Legal and professional fees	**3,723**	3,790
Repairs and maintenance	**1,836**	1,244
Finance charges	**1,250**	1,225
Utilities	**1,035**	1,051
Rental expense	**925**	891
Other expenses	**2,186**	3,044
	98,509	90,597

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

18 Related parties

Related parties comprise the major Shareholders, the Directors and key management personnel of the Group and those entities in which they have the ability to control or exercise significant influence in financial and operation decisions. The Group maintains significant balances with these related parties which arise from commercial transactions as follows:

Details of related party balances are as follows:

	2020 **AED'000**	2019 AED'000
Due from related parties		
Related parties due to common directorship	**22,116**	16,555
Key management	**168**	227
Other receivable from key management personnel	**29,085**	14,300

Related party transactions

The Group, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as contained in IFRS.

The following are the details of significant transactions with related parties:

	2020 **AED'000**	2019 AED'000
Gross premiums written to Directors' affiliates	**5,209**	7,642
Net claims paid to Directors' affiliates	**11**	74
Board of directors' remuneration (note 15)	**8,442**	6,415
Remuneration of key management personnel	**10,234**	9,340

The remuneration of the Board of Directors is subject to approval by the shareholders at the forthcoming Annual General Meeting.

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

19 Earnings per share – basic and diluted

Earnings per ordinary share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2020	2019
Profit for the year (AED'000)	**75,975**	57,734
Weighted average number of ordinary shares in issue throughout the year (AED'000)	**15,000**	15,000
Basic and diluted earnings per share (AED)	**5.07**	3.85

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

20 Segment information

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

The following summary describes the two main business segments:

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

20.1 Primary segment information - Business segments

The following is an analysis of the Group's revenue and results by business segments:

	Underwriting		**Investments**		**Total**	
	2020 AED'000	2019 AED'000	**2020 AED'000**	2019 AED'000	**2020 AED'000**	2019 AED'000
Segment revenue	**1,327,057**	1,239,841	**23,846**	28,802	**1,350,903**	1,268,643
Segment result	**164,660**	116,848	**9,824**	31,483	**174,484**	148,331
Unallocated expenses					**(98,509)**	(90,597)
Profit for the year					**75,975**	57,734

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

20 Segment information (continued)

20.1 Primary segment information - Business segments (continued)

The following is an analysis of the Group's assets and liabilities by business segments:

	Underwriting		Investments		Total	
	2020	2019	**2020**	2019	**2020**	2019
	AED'000	AED'000	**AED'000**	AED'000	**AED'000**	AED'000
Segment assets	**2,063,305**	3,722,068	**551,984**	603,926	**2,615,289**	4,325,994
Unallocated assets					**145,125**	107,494
Total assets					**2,760,414**	4,433,488
Segment liabilities	**1,534,324**	3,220,441	**15,030**	12,697	**1,549,354**	3,233,138
Unallocated liabilities					**40,570**	40,803
Total liabilities					**1,589,924**	3,273,941

There were no transactions between the two business segments.

Primary segment information – revenue from underwriting departments

The following is an analysis of the Group's revenues (gross written premiums, commission income and other underwriting income) classified by major underwriting departments.

	2020	2019
	AED'000	AED'000
Employee benefits, medical and personal assurance	**751,405**	647,939
Motor	**158,278**	229,365
Oil and gas	**85,758**	78,918
Fire and allied perils	**156,961**	113,811
General accident	**123,461**	121,042
Marine and aviation	**49,324**	44,099
Life	**1,870**	4,667
	1,327,057	1,239,841

There were no transactions between the business segments during the year.

21 Commitment and contingencies

The Group's bankers have issued in the normal course of business letters of guarantee in favor of third parties amounting to AED 19.36 million (31 December 2019: AED 22.49 million).

The Group is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, the management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 34.3 million (31 December 2019: AED 21.1 million) representing amounts expected to result in a probable outflow of economic resources.

22 Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is random and therefore unpredictable. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

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

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

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

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

22 Insurance risk (continued)

Sources of uncertainty in the estimation of future claim payments

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

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

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

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

In calculating the estimated cost of unpaid claims (both reported and not), the Group’s estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years’ experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

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

	Year ended 31 December 2020		Year ended 31 December 2019	
Type of risk	**Gross Loss Ratio**	**Net Loss Ratio**	Gross Loss Ratio	Net Loss Ratio
Life insurance	**14.23%**	**(42.42%)**	14.03%	41.31%
Non-life insurance	**169.58%**	**42.55%**	64.39%	63.77%

22 Insurance risk (continued)

Concentration of insurance risk

Substantially all the Group's underwriting business are carried out in the United Arab Emirates (UAE).

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Group, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

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

Sensitivity of underwriting profit

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

- The Group has an overall risk retention level of 2020: 18% (2019: 24%) and this is mainly due to low retention levels in general accident, fire and engineering. However, for other lines of business, the Group is adequately covered by excess of loss reinsurance programs to guard against major financial impact.
- The Group has commission income of 2020 AED 118 million (2019: AED 84.5 million) predominantly from the reinsurance placement which remains a comfortable source of income.

23 Financial instruments

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term, its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The risks that the Group primarily faces due to the nature of its investments and underwriting business are interest rate risk, foreign currency risk, and market price risk, credit risk and liquidity risk.

Capital risk management

The Group's objectives when managing capital are:

- To comply with the insurance capital requirements as per UAE Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of Its Operations and UAE Federal Law No. (2) of 2015.
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the Shareholders and benefits for other stakeholders; and
- to provide an adequate return to the Shareholders by pricing insurance contracts commensurately with the level of risk.

23 Financial instruments (continued)

Capital risk management (continued)

The Group is financed by its Shareholders. The Group's capital structure is regularly reviewed to ensure that it remains relevant to the business and its plans for growth. Management has a reasonable expectation that the Group has adequate resources to continue operating in the foreseeable future.

The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin must be maintained at all times throughout the year. The Group is subject to solvency regulations which it has complied with during the year. The Group has incorporated in its policies and procedures the necessary tests to ensure continuous and full compliance with such regulations.

The below summarises the minimum regulatory capital of the Group and the total capital held.

	2020 AED'000	2019 AED'000
Total shareholders' equity	**1,170,490**	1,159,547
Minimum regulatory capital	**100,000**	100,000

The UAE Insurance Authority issued resolution no. 42 for 2009 setting the minimum subscribed or paid up capital of AED 100 million for establishing insurance firms and AED 250 million for re-insurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the UAE should be owned by UAE or GCC national individuals or corporate bodies. The Group is in compliance with the minimum capital requirements.

Significant accounting policies

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Interest rate risk management

Interest rate risk arises from the possibility that changes in interest rates will affect the finance income of the Group. The Group is exposed to interest rate risk on its financial investments in bonds and deposits that carry fixed interest rates.

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

Interest rate sensitivity analysis

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

23 Financial instruments (continued)

Interest rate risk management (continued)

Interest rate sensitivity analysis (continued)

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2020 would increase/decrease by AED 0.68 million (2019: AED 0.63 million).

Foreign currency risk

The Group is not exposed to significant foreign currency risk as substantially all financial assets and financial liabilities are denominated in AED or US Dollars to which the AED is pegged.

Market price risk

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

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Group's other comprehensive income would have increased/decreased by AED 27.8 million (2019: AED 26.2 million) in the case of the financial investments at fair value through other comprehensive income.

Credit risk management

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

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

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from insurance intermediaries; and
- Amounts due from banks for bank balances and fixed deposits

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

23 Financial instruments (continued)

Credit risk management (continued)

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

The Group maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Group. Management information reported to the Group includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are mitigated by ongoing credit evaluation of their financial condition.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are registered banks with sound financial positions.

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

Liquidity risk management

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities at maturity date. The Group manages the liquidity risk through a risk management framework for the Group's short, medium and long-term funding and liquidity management requirements by maintaining adequate reserves, sufficient cash and cash equivalent and bank facilities, to ensure that funds are available to meet their commitments for liabilities as they fall due.

The maturity profile is monitored by management to ensure adequate liquidity is maintained. The following table summarises the maturity profile of the Group's financial assets and liabilities based on remaining contractual obligations including interest receivable and payables.

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

23 Financial instruments (continued)

Liquidity risk management (continued)

	Current AED '000	**Non-current AED '000**	**Total AED '000**
31 December 2020			
Financial assets			
Investments carried at fair value through other comprehensive income	-	**301,243**	**301,243**
Investments carried at fair value through profit and loss	**445**	-	**445**
Insurance receivables	**230,415**	-	**230,415**
Other receivables (excluding prepayments and advances)	**41,600**	-	**41,600**
Statutory deposits	**-**	**10,000**	**10,000**
Term deposits	**165,954**	-	**165,954**
Cash and cash equivalents	**145,125**	-	**145,125**
Total financial assets	**583,539**	**311,243**	**894.782**
Financial liabilities			
Insurance and other payables	**298,240**	-	**298,240**
Reinsurance deposits retained	**25,169**	-	**25,169**
Accruals	**15,030**	-	**15,030**
Total financial liabilities	**338,439**	-	**338,439**

	Current AED '000	Non-current AED '000	Total AED '000
31 December 2019			
Financial assets			
Investments carried at fair value through other comprehensive income	-	284,777	284,777
Investments carried at fair value through profit and loss	26,001	-	26,001
Insurance receivables	218,009	-	218,009
Other receivables (excluding prepayments and advances)	24,495		24,495
Statutory deposits	-	10,000	10,000
Term deposits	198,475	-	198,475
Cash and cash equivalents	107,494	-	107,494
Total financial assets	574,474	294,777	869,251
Financial liabilities			
Insurance and other payables	249,535	-	249,535
Reinsurance deposits retained	18,624	-	18,624
Accruals	12,697	-	12,697
Total financial liabilities	280,856	-	280,856

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

23 Financial instruments (continued)

Maturity analysis of assets and liabilities

31 December 2020	Within 12 months AED '000	After 12 months AED '000	Carrying value AED '000
Assets			
Property and equipment	-	790,513	790,513
Intangible assets	-	715	715
Investment properties	-	74,342	74,342
Financial assets carried at FVTOCI	301,243	-	301,243
Financial assets carried at FVTPL	445	-	445
Insurance receivables	230,415	-	230,415
Statutory deposits	-	10,000	10,000
Other receivables and prepayments	55,167	-	55,167
Reinsurance contract assets	986,495	-	986,495
Term deposits	165,954	-	165,954
Cash and cash equivalents	145,125	-	145,125
Total assets	**1,884,844**	**875,570**	**2,760,414**
Liabilities			
Provision for employees' end of service benefits	-	40,570	40,570
Insurance contract liabilities	1,210,915	-	1,210,915
Insurance and other payables	298,240	-	298,240
Reinsurance deposit retained	25,169	-	25,169
Accruals and deferred income	15,030	-	15,030
Total liabilities	**1,549,354**	**40,570**	**1,589,924**

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

23 Financial instruments (continued)

Maturity analysis of assets and liabilities (continued)

31 December 2019	Within 12 months AED '000	After 12 months AED '000	Carrying value AED '000
Assets			
Property and equipment	-	807,147	807,147
Intangible assets	-	1,058	1,058
Investment properties	-	84,673	84,673
Financial assets carried at FVTOCI	-	284,777	284,777
Financial assets carried at FVTPL	26,001	-	26,001
Insurance receivables	218,009	-	218,009
Statutory deposits	-	10,000	10,000
Other receivables and prepayments	36,294	-	36,294
Reinsurance contract assets	2,659,560	-	2,659,560
Term deposits	198,475	-	198,475
Cash and cash equivalents	107,494	-	107,494
Total assets	3,245,833	1,187,655	4,433,488
Liabilities			
Provision for employees' end of service benefits	-	40,803	40,803
Insurance contract liabilities	2,952,282	-	2,952,282
Insurance and other payables	249,535	-	249,535
Reinsurance deposit retained	18,624	-	18,624
Accruals and deferred income	12,697	-	12,697
Total liabilities	3,233,138	40,803	3,273,941

24 Dividends

The Board of Directors has proposed cash dividends of 25% which is AED 2.5 per share amounting to AED 37.5 million for the year ended 31 December 2020 to be paid to the shareholders in 2021. The proposed dividends are subject to the approval of the shareholders at the Annual General Meeting and, therefore, have not been included as a liability in these consolidated financial statements.

The Board of Directors has approved cash dividends of 35% which is AED 3.5 per share amounting to AED 52.5 million for the year ended 31 December 2019. The dividends were approved by the General Assembly dated 23 March 2020 and were paid to the shareholder during the year.

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

25 Restatement

The Group restated its previously reported consolidated financial statements as at 31 December 2019 and all related disclosures. The restatement followed an internal review of the Group's consolidated financial statements which identified an overstatement of investment properties where it was determined that the methodology and information used were insufficient to support the previously reported fair values.

The effects of the restatement are reflected in the Group's consolidated financial statements and accompanying notes for the year ended 31 December 2020.

The previously reported, restatement adjustments and restated amounts for those accounts affected by this restatement on the consolidated statement of financial position as at 31 December 2019 are as follows:

	As previously reported AED'000	Restatement AED'000	As restated AED'000
At 1 January 2019			
Statement of consolidated financial position			
Investment properties	131,877	(43,711)	88,166
Retained earnings	208,470	(43,711)	164,759
At 31 December 2019			
Statement of consolidated financial position			
Investment properties	128,384	(43,711)	84,673
Retained earning	243,704	(43,711)	199,993

26 Approval of consolidated financial statements

The consolidated financial statements were approved and authorized for issue by the Board of Directors on 28 February 2021.