National General Insurance Co. (P.J.S.C.)

Independent auditor's report and financial statements for the year ended 31 December 2019

National General Insurance Co. (P.J.S.C.)

Contents

Report of the Board of Directors

Dear Shareholders,

The Board of Directors have the pleasure to welcome you to the Nineteenth Annual General Meeting and present their report together with the audited financial statements of National General Insurance Co. (P.J.S.C.) ('the Company') for the year ended 31 December 2019.

Overview

The Company continues to be a technically strong and dominant player in the market backed by a solid panel of the Company and the support of reinsurers.

FINANCIAL RESULTS

1. The Company reported a net profit of AED 17.5 million for the year 2019 against AED 31.4 million for 2018.

2. Gross premiums is AED 535.9 million in 2019 compared to AED 551.4 million in 2018 and the net earned premiums increased from AED 254.9 million in 2018 to AED 262 million in 2019 increase of 2.8%.

3. The net claims paid during the year 2019 amounted to AED 161.4 million compared with AED 155 million in 2018 increase of 4.9% and the net claims incurred during the year 2019 amounted to AED 166.9 million compared with AED 154.7 million in 2018 increase of 7.9%.

4. Underwriting profit is AED 34.5 million in 2019 compared with AED 36.5 million in 2018.

5. Gross income from investment portfolio was AED 1 million in 2019 compared to AED 10.3 million in 2018.

6. Total General and Management expenses including expenses directly attributable to underwriting activities for the year 2019 is AED 75.8 million compared to AED 70.6 million in 2018.

7. Investment fund comprising of investment properties, securities and cash and bank balances was AED 735.7 million at the end of 2019 compared with AED 737 million in 2018.

8. The Net Technical Reserves (i.e. net unearned premium reserve, and net provision for outstanding claims) at the end of year 2019 amounted to AED 257.1 million compared with AED 239.3 million in 2018. Included in the above is Life Assurance Fund of AED 78.5 million as at 2019 compared to AED 77.2 million in 2018.

RECOMMENDATIONS OF THE BOARD OF DIRECTORS

The Board of Directors has the pleasure in presenting the following recommendations to the shareholders:

1. Consider, discuss and approve the Board of Directors' report.
2. Consider, discuss and approve the Auditors' report.
3. Consider, discuss and approve the Financial Statements for the year ended 31 December 2019.
4. Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2019.
5. Approve the proposed appropriation of the profits as follows:

	AED
Profit brought forward	139,517,278
Add comprehensive profit for the year 2019	17,786,430
Total available for distribution	157,303,708
Less	
a) Director's remuneration	1,745,850
b) Proposed Dividend — Cash 10%	14,995,411
Profit carried forward	140,562,447

6. Appoint Auditors for the financial year 2020 and determine their fees.

The Board of Directors take pleasure in extending, on your behalf, their sincere thanks and appreciation to H.H Sheikh Khalifa Bin Zayed A1 Nahyan, the President and H.H Sheikh Mohammed Bin Rashid Al Maktoum, Vice President, Prime Minister and Ruler of Dubai, for their kind support to the national companies and institutions, which benefited immensely from their wise economic and social policies.

The Directors also appreciate the fruitful co-operation of all customers who had the major role in the progress of the company.

The Directors take this opportunity to express their sincere appreciation and thanks to the Company's executive administration and staff for their loyalty, diligence and hard work, and to our treaty leaders and all the Reinsurers for their continued support to the Company.

On behalf of the Board

Adel Mohammed Saleh Al Zarouni
Vice Chairman

Deloitte.

Deloitte & Touche (M.E.)
Level 6, Al Fujairah National
Insurance Company Building
P.O. Box 462
Fujairah
United Arab Emirates

Tel: +971 (0) 9 222 2320
Fax:+971 (0) 9 222 5202
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

The Shareholders of
National General Insurance Co. (P.J.S.C.)
Dubai
United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **National General Insurance Co. (P.J.S.C.) (the "Company"), Dubai, United Arab Emirates** which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **National General Insurance Co. (P.J.S.C.), Dubai, United Arab Emirates**, as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATIONAL GENERAL INSURANCE CO. (P.J.S.C.) (continued)

Key audit matters (continued)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>Valuation of insurance contract liabilities and reinsurance contract assets

As at 31 December 2019, insurance contract liabilities and reinsurance contract assets amounted to AED 512.3 million and AED 255.2 million respectively, as detailed in note 9 to these financial statements.

The valuation of these liabilities requires significant judgements to be applied and estimates to be made. Reinsurance contract assets includes amounts that the Company is entitled to receive in accordance with the reinsurance contracts and, more specifically, the share of the reinsurer in the insurance contract liabilities of the Company.

This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves along with their reinsurance recoveries. A range of models are applied by management and the internal actuary/independent external actuary to determine these provisions. Underlying these models are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.

As a result of all the above factors, we consider the valuation of insurance contract liabilities and reinsurance contract assets as key audit matter.</td><td>Our audit procedures included:

• Assessing the design and implementation of key controls related to the integrity of the data used in the actuarial reserving process;
• Evaluating and testing the claims handling and case reserve setting processes of the Company including allocation of reinsurance portion of claims;
• Evaluating and testing the data used in the actuarial reserving process;
• Testing samples of claims case reserves by comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers, reinsurance contracts etc.;
• Reperforming reconciliations between the claims data recorded in the Company's systems and the data used in the actuarial reserving calculations;
• Evaluating the objectivity, skills, qualifications and competence of independent external actuary;
• We reviewed the engagement letter with the independent external actuary to determine if the scope was sufficient for audit purposes;
• Obtaining the reinsurance treaty summary for the year and verifying the details in the summary to the respective agreements on samples basis; and
• Checking samples of unearned premium with appropriate documentation.

In addition, with the assistance of our internal actuarial specialists, we:
• performed necessary reviews to ascertain whether the results are appropriate for valuation of insurance contract liabilities and reinsurance contract assets.
• reviewed the actuarial report compiled by the independent external actuary of the Company and calculations underlying these provisions, particularly the following areas:
    • Appropriateness of the calculation methods and approach (actuarial best practice)
    • Review of assumptions
    • Consistency between valuation periods
    • General application of financial and mathematical rules.

We assessed the disclosures in the financial statements about insurance contract liabilities and reinsurance contract assets to determine if they were in compliance with IFRSs.</td></tr>
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATIONAL GENERAL INSURANCE CO. (P.J.S.C.) (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties Investment properties represented 16.1% of the total assets as at 31 December 2019. Management appointed independent external valuers to determine the fair value valuation of investment properties. The valuation of investment properties, as detailed in Note 7, requires significant judgements to be applied and estimates to be made by both management and the independent external valuers. Consequently, we considered this to be a key audit matter.	Our audit procedures included, but were not limited, to the following: • We obtained an understanding of the process of determining the fair value of the investment properties; • We assessed the controls over the determination of the fair value of investment properties to determine if they had been appropriately designed and implemented. • We assessed the competence, skills, qualifications and objectivity of the independent external valuer; • We reviewed the scope of the engagement between the external valuer and the Company to determine if this was sufficient for audit purposes; • We verified the accuracy, completeness and relevance of the input data used for deriving fair values; • We utilised our internal valuation experts to evaluate the methodology used and the appropriateness of key assumptions used in the investment properties valuations on sample basis; • We reperformed the mathematical accuracy of the valuations on a sample basis; • We agreed the results of the valuations to the amounts recorded in the financial statements; and • We assessed the adequacy of disclosures for this matter in the financial statements against the requirements of IFRSs.

Other Matter

The financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 11 February 2019.

Other Information

The Board of Directors and management is responsible for the other information, which comprises the Directors' Report which we obtained prior to the date of this auditors' report and the remaining of the annual report is expected to be made available to us after that date. The other information does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NATIONAL GENERAL INSURANCE CO. (P.J.S.C.) (continued)

Other Information (continued)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining information of the annual report of the Company, if we conclude that there is a material misstatement therein, we are required to communicate the matter to Those Charged With Governance.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 Company's financial statements.

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATIONAL GENERAL INSURANCE CO. (P.J.S.C.) (continued)

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

- Conclude on the appropriateness of management use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

We also provide Those Charged With Governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

Further, as required by the UAE Federal Law No. (2) of 2015, we report that:

i) we have obtained all the information we considered necessary for the purposes of our audit;

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Directors' report is consistent with the books of account of the Company;

v) as disclosed in Note 8 to the financial statements, the Company has investment in securities as at 31 December 2019;

vi) Note 21 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted; and

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF NATIONAL GENERAL INSURANCE CO. (P.J.S.C.) (continued)

Report on other Legal and Regulatory Requirements (continued)

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has, during the financial year ended 31 December 2019, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2019.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit.

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
13 February 2020
Sharjah, United Arab Emirates

Statement of financial position
At 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
Property and equipment	5	26,953,580	28,616,081
Intangible assets	6	3,518,768	2,016,151
Investment properties	7	189,233,524	218,779,637
Investment securities	8	159,464,467	252,299,372
Reinsurance contract assets	9	255,199,607	275,450,941
Insurance and other receivables	10	151,999,207	178,773,803
Fixed deposits	11	282,315,522	226,187,392
Bank balances and cash	11	104,674,208	39,704,474
Total assets		1,173,358,883	1,221,827,851
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	149,954,112	149,954,112
Legal reserve	13	74,977,056	74,977,056
General reserve	13	74,977,056	74,977,056
Cumulative change in fair value of investments in FVOCI		254,852	(73,080)
Retained earnings		156,975,776	164,397,143
Total equity		457,138,852	464,232,287
Liabilities			
Provision for end of service indemnity	14	11,256,083	10,138,208
Insurance contract liabilities	9	512,337,332	514,718,500
Insurance and other payables	15	151,507,721	191,720,699
Payable to policyholders of unit linked products	16	41,118,895	41,018,157
Total liabilities		716,220,031	757,595,564
Total equity and liabilities		1,173,358,883	1,221,827,851

Adel Mohammed Saleh Al Zarouni
Vice Chairman

Dr. Abdul Zahra A. Ali
Chief Executive Officer

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

Statement of profit or loss
For the year ended 31 December 2019

	Notes	2019 AED	2018 AED
Gross written premium	17	**535,876,024**	551,413,111
Reinsurance ceded	17	**(262,772,081)**	(294,695,369)
Net premium		**273,103,943**	256,717,742
Change in unearned premium/unexpired risk	9	**(11,138,374)**	(1,865,934)
Net earned premium	17	**261,965,569**	254,851,808
Reinsurance commission earned		**25,159,869**	35,719,405
Net underwriting income		**287,125,438**	290,571,213
Claims paid	9	**(349,108,525)**	(320,481,240)
Reinsurance share	9	**187,670,274**	165,467,592
Net claims paid		**(161,438,251)**	(155,013,648)
Change in outstanding claims	9	**(5,474,159)**	291,589
Net incurred claims		**(166,912,410)**	(154,722,059)
Commission incurred		**(38,680,436)**	(42,793,574)
Administrative expenses	19	**(57,733,723)**	(55,186,777)
Net underwriting expenses		**(263,326,569)**	(252,702,410)
Movement in life assurance fund and payable to policyholders of unit linked products	9,16	**(1,358,371)**	5,009,200
Increase/(decrease) in fair value of investments held for unit linked products		**6,807,252**	(4,723,745)
Net income/(loss) from life investments		**5,275,723**	(1,671,916)
Total underwriting expenses		**(252,601,965)**	(254,088,871)
Underwriting profit		**34,523,473**	36,482,342
Interest and other income		**9,930,051**	9,442,042
Net loss from investment properties		**(24,346,052)**	(2,336,179)
Net income from other investments	18	**15,412,216**	3,166,117
Net gain from investment portfolio		**996,215**	10,271,980
General and administrative expenses	19	**(18,061,190)**	(15,389,142)
Profit for the year		**17,458,498**	31,365,180
Basic and diluted earnings per share	20	**0.12**	0.21

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

Statement of comprehensive income
For the year ended 31 December 2019

	2019 AED	2018 AED
Profit for the year	**17,458,498**	31,365,180
Other comprehensive income/(loss)		
Items that will be reclassified subsequently to profit or loss		
Net change in fair value of investments at fair value through other comprehensive income (FVOCI)	**327,932**	(19,837)
Total other comprehensive income/(loss) for the year	**327,932**	(19,837)
Total comprehensive income for the year	**17,786,430**	31,345,343

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

Statement of changes in equity
For the year ended 31 December 2019

	Share capital AED	Legal reserve AED	General reserve AED	Cumulative change in fair value of investments in FVOCI AED	Retained earnings AED	Total AED
Balance at 31 December 2017	149,954,112	74,977,056	74,977,056	(53,243)	165,067,000	464,921,981
Impact of adoption of IFRS 9	-	-	-	-	(7,021,673)	(7,021,673)
Balance at 1 January 2018	149,954,112	74,977,056	74,977,056	(53,243)	158,045,327	457,900,308
Total comprehensive income for the year	-	-	-	(19,837)	31,365,180	31,345,343
Directors' remuneration (Note 23)	-	-	-	-	(2,520,247)	(2,520,247)
Dividends declared (Note 23)	-	-	-	-	(22,493,117)	(22,493,117)
Balance at 31 December 2018	149,954,112	74,977,056	74,977,056	(73,080)	164,397,143	464,232,287
Total comprehensive income for the year	-	-	-	327,932	17,458,498	17,786,430
Directors' remuneration (Note 23)	-	-	-	-	(2,386,748)	(2,386,748)
Dividends declared (Note 23)	-	-	-	-	(22,493,117)	(22,493,117)
Balance at 31 December 2019	**149,954,112**	**74,977,056**	**74,977,056**	**254,852**	**156,975,776**	**457,138,852**

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

Statement of cash flows
For the year ended 31 December 2019

	2019 AED	2018 AED
Cash flows from operating activities		
Profit for the year	17,458,498	31,365,180
Adjustments for:		
Depreciation and amortization	2,927,447	3,720,098
Dividend income	(4,355,171)	(6,654,480)
Realised gain on investments at fair value through profit or loss (FVTPL)	(10,037,314)	(6,035,023)
Realised (gain)/loss on investments fair valued through other comprehensive income transferred to profit or loss	(1,974,106)	682,466
Unrealised (gain)/loss on investment FVTPL	(1,703,439)	10,469,321
Change in fair value of investment properties	29,546,113	9,909,653
Expected credit losses on financial assets	(930,485)	(345,901)
Other investment income	(11,391,659)	(13,750,333)
Provision for end of service indemnity-net of repayment	1,117,875	1,501,167
Operating cash flows before changes in operating assets and liabilities	20,657,759	30,862,148
Change in insurance receivables	26,901,016	(26,506,559)
Change in insurance and other payables	(40,112,240)	8,637,066
Change in unearned premium reserve and life assurance fund	12,396,007	1,088,404
Change in net outstanding claims	5,474,159	(291,589)
Net cash generated from operating activities	25,316,701	13,789,470
Cash flows from investing activities		
Purchase of property and equipment and intangible assets	(2,767,563)	(608,535)
Purchase of investment at FVTPL	(26,131,452)	(37,291,807)
Purchase of investment at FVTOCI	(31,559,839)	(20,676,502)
Proceeds from sale of investments at FVTPL	98,624,163	37,752,571
Proceeds from sale of investments at FVOCI	66,766,818	20,388,633
Interest and other income	11,391,659	13,750,333
Dividend income	4,355,171	6,654,480
Change in bank deposits	(56,146,059)	786,036
Net cash generated from investing activities	64,532,898	20,755,209
Cash flows from financing activities		
Directors' remuneration	(2,386,748)	(2,520,247)
Dividend paid	(22,493,117)	(22,493,117)
Net cash used in financing activities	(24,879,865)	(25,013,364)
Net increase in cash and cash equivalents	64,969,734	9,531,315
Cash and cash equivalents at the beginning of the year	39,704,474	30,173,159
Cash and cash equivalents at the end of the year (Note 11)	104,674,208	39,704,474

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

Notes to the financial statements
For the year ended 31 December 2019

1. General information

National General Insurance Co. (P.J.S.C.) ("the Company") was originally incorporated as a Private Limited Liability Company on 19 November 1980. Subsequently, the Company was converted to a Public Joint Stock Company with effect from 12 September 2001.

The Company is registered under UAE Federal Law No. 2 of 2015 in the Emirate of Dubai and underwrites all classes of life and general insurance business as well as certain reinsurance business in accordance with the provisions of the UAE Federal Law no. 6.of 2007 relating to Establishment of Insurance Authority and Regulation of Insurance Operations. The Company is listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The registered office of the Company is at the NGI House, P.O. Box 154, Dubai, United Arab Emirates.

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 2019, 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.

- The Company adopted IFRS 16 'Leases' the standard replaces the existing guidance on leases, including IAS 17 'Leases", IFRIC 4 'Determining whether an Arrangement contains a Lease", SIC 15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions in the Legal Form of a Lease".

  IFRS 16 was issued in January 2016 and is effective for annual periods commencing on or after 1 January 2019. IFRS 16 stipulates that all leases and the associated contractual rights and obligations should generally be recognized in the Company's financial position, unless the term of the lease is less than or equal to 12 month or the lease is for a low value asset. Thus, the classification required under IAS 17 "Leases" into operating or finance leases is eliminated for Lessees. For each lease, the lessee recognizes a liability for the lease obligations incurred in the future. Correspondingly, a right to use the leased asset is capitalized, which is generally equivalent to the present value of the future lease payments plus directly attributable costs and the balance is amortized over the lease term.

  Based on an analysis of the Company's leases on the basis of the facts and circumstances that exist at that date, apart from providing more extensive disclosures, the application of IFRS 16 has no impact on the financial position and financial performance of the Company.

- Amendments to IFRS 9 *Prepayment Features with Negative Compensation and Modification of financial liabilities.*
- Amendments to IAS 28 *Investment in Associates and Joint Ventures: Relating to long-term interests in associates and joint ventures.*
- Annual Improvements to IFRSs 2015-2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
- IAS 12 *Income taxes*
- IAS 23 *Borrowings Costs*
- IFRS 3 *Business Combinations*
- IFRS 11 *Joint Arrangements*
- Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*
- IFRIC 23 *Uncertainty over Income Tax Treatments*

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted

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

New and revised IFRSs

Definition of Material - Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* Effective for annual periods beginning on or after 1 January 2020.

The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

Definition of a Business – Amendments to IFRS 3 *Business Combinations*
The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'. Effective for annual periods beginning on or after 1 January 2020.

Amendments to *References to the Conceptual Framework in IFRS Standards*
Amendments to References to the Conceptual Framework in IFRS Standards related 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 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework. Effective for annual periods beginning on or after 1 January 2020.

IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments Amendments regarding pre-replacement issues in the context of the IBOR reform. Effective for annual periods beginning on or after 1 January 2020.

IFRS 17 *Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as at 1 January 2021, which is effective date. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed in the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2022.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture. Effective date deferred indefinitely. Adoption is still permitted.

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

2.2 New and amended IFRSs in issue but not yet effective and not early adopted (continued)

Annual Improvements to IFRSs 2018 Cycle Amendments to IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 6 Exploration for and Evaluation of Mineral Resources, IFRS 14 Regulatory Deferral Accounts, IAS 1 Presentation of Financial Statements, IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, IAS 34 Interim Financial Reporting, IAS 38 Intangible Assets, IFRIC 12 Service Concession Arrangements, IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, IFRIC 22 Foreign Currency Transactions and Advance Consideration and SIC -32 Intangible Assets—Web Site Costs. Effective for annual periods beginning on or after 1 January 2020.

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

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2021. The application of IFRS 17 may have significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its insurance contracts. However, it is not practicable to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

3. Summary of significant accounting policies

The summary of significant accounting policies applied in the preparation of these financial statements are summarised below. These policies have been consistently applied to each of the years presented.

3.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Articles of Association of Company, United Arab Emirates (U.A.E.) Federal Law No. (2) of 2015 and U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations.

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for revaluation of certain financial instruments and investment properties as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

3. Summary of significant accounting policies (continued)

3.2 Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1,2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurements in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
  Level 3 inputs are unobservable inputs for the assets or liability.

The Company presents its statement of financial position broadly in order of liquidity, with a distinction based on expectations regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current), presented in the notes.

The principal accounting policies are set out below.

3.3 Insurance contracts

3.3.1 Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits due to happening of the insured event compared to its non happening.

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

Contracts where insurance risk is not significant are classified as investment contracts. Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

Some insurance contracts and investment contracts contain discretionary participating features (DPF) which entitle the contract holder to receive, as a supplement to the standard guaranteed benefits, additional benefits;

- that are likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the insurer;
- that are contractually based on;
  - (i) the performance of a specified pool of contracts or a specified type of contract,
  - (ii) realised/unrealised investment returns on a specified pool of assets held by the issuer or,
  - (iii) the profit or loss of the Company, fund or other entity that issues that contract.

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.1 Classification (continued)

Under IFRS 4, DPF can be either treated as an element of equity or as a liability, or can be split between the two elements. The Company policy is to treat all DPF as a liability within insurance or investment contract liabilities.

The policyholder bears the financial risks relating to some insurance contracts or investment contracts. Such products are usually unit-linked contracts.

3.3.2 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.

General insurance contracts

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued. Premiums are recognized as revenue (earned premiums) proportionately over the period of coverage.

The earned portion of premium is recognised as an income and are shown in the profit or loss before deduction of commission. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

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 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 before deduction of commission.

Premiums for group credit life policies are recognised when it is paid by the contract holder.

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.

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Recognition and measurement (continued)

Life assurance contracts (continued)

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.

Unearned premium provision

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR is calculated using the 1/365 method except for marine cargo and general accident. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation issued under UAE Federal Law No. 6 of 2007, and UPR for general accident assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract, the rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy. Unearned premiums for individual life business are considered by the Company's actuary in the calculation for life reserve fund.

Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the regulations.

Provision for premium deficiency / liability adequacy test

Provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Recognition and measurement (continued)

Reinsurance

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company 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 Company under which the contract holder is another insurer, are included in insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts are recognised as reinsurance contract assets.

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment on a regular basis. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of profit or loss in the year in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis. Reinsurance assets or liabilities are derecognized when the contractual obligations/rights are extinguished or expire or when the contract is transferred to another party.

Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the position of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unearned premium reserve.

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred.

Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract liabilities or reinsurance assets.

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Recognition and measurement (continued)

Life assurance fund

The fund is determined by the independent actuarial valuation of future policy benefits. Actuarial assumptions include a margin for adverse deviation and generally vary by type of policy, year of issue and policy duration. Mortality and withdrawal rate assumptions are based on experience. Adjustments to the balance of fund are affected by charges or credits to income. Certain generated returns are accrued and provided for in the life fund.

Unit linked liabilities

For unit linked policies, liability is equal to the policy account values. The account value is the number of units times the bid price.

Insurance contract liabilities and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported and Life assurance fund. Outstanding claims provisions are 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.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

Salvage and subrogation reimbursements

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

Revenue *(other than insurance revenue)*

Revenue (other than insurance revenue) comprises the following:

Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

Dividend income

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

3. Summary of significant accounting policies (continued)

3.3 Insurance contracts (continued)

Revenue *(other than insurance revenue)* (continued)

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 which are leased under operating leases are recognised on a straight-line basis over the term of the relevant lease.

General and administrative expenses

Direct expenses are charged to the respective departmental revenue accounts. Indirect expenses are allocated to departmental revenue accounts on the basis of gross written premiums of each department. Other administration expenses are charged to profit or loss as unallocated general and administrative expenses.

3.4 Leasing

[Leases under IFRS 16, applicable from 1 January 2019]

The Company as lessee

The Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed as the leases are for short term (defined as leases with a lease term of 12 months or less).

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

[Leases under IAS 17, applicable before 1 January 2019]

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases for office premises equipments are recognised in statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3. Summary of significant accounting policies (continued)

3.5 Property and equipment

Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and identified impairment losses. Land is not depreciated.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss.

Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on freehold land and capital-work-in-progress. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

The estimated useful lives with their capabilities for various categories of property and equipment is as follows :

Office building	30 years
Other property and equipment	4 years

3. Summary of significant accounting policies (continued)

3.6 Intangible assets (software)

Software acquired by the Company is measured at cost less accumulated amortisation and any identified impairment losses. Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight line basis in the statement of profit or loss over its estimated useful life, from the date that it is available for use. The estimated useful life of software for the current and comparative periods are four years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.7 Investment properties

Investment properties are properties are held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, used in providing services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognized in the statement of profit or loss.

The Company determines fair value on the basis of valuations provided by two independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment properties being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The cost of self-constructed investment properties include the cost of materials and direct labour, any other costs directly attributable to bringing the investment properties to a working condition for their intended use and capitalised borrowing costs.

3.8 Impairment of non-financial assets

At the end of each reporting period, the Company reviews the carrying amounts of their tangible and intangible 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 Company 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 profit or loss, 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 profit or loss, 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 accounting policies (continued)

3.9 Non-derivative financial assets and liabilities

Recognition

The Company initially recognises insurance receivables and insurance payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

A financial asset or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets and financial liabilities are subsequently measured in their entirety at either amortised cost or fair value.

Classification

Financial assets measured at amortised cost

At inception a financial asset is classified as measured at amortised cost or fair value.

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions:

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

If a financial asset does not meet both of these conditions, then it is measured at fair value.

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Insurance and other receivables are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amoritised cost using the effective interest method.

3. Summary of significant accounting policies (continued)

3.9 Non-derivative financial assets and liabilities (continued)

Financial assets measured at fair value through profit or loss

Financial assets at FVTPL are:

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

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

Equity instruments at FVOCI

Investments in equity instruments/funds at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the cumulative changes in fair value reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments in equity instruments/funds, but reclassified to retained earnings.

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

Debt instruments at amortised cost or at FVOCI

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the Company has not identified a change in its business models.

When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

3. Summary of significant accounting policies (continued)

3.9 Non-derivative financial assets and liabilities (continued)

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

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

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 Company are recorded at the proceeds received, net of direct issue costs.

Non-derivative financial liabilities

Insurance and other payables are classified as 'other financial liabilities' and are initially measured at fair value, net of transaction costs. Other financial liabilities (except for deferred reinsurance commission) are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short term payable when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, cash and bank balances, insurance receivables and reinsurance receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL (expected credit losses) for insurance receivables and reinsurance receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

Notes to the financial statements
For the year ended 31 December 2019 (continued)

3. Summary of significant accounting policies (continued)

3.9 Non-derivative financial assets and liabilities (continued)

Impairment (continued)

The Company considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Company has adopted simplified approach in case of insurance and other receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

Details of these statistical parameters/inputs are as follows:

PD - The probability of default is an estimate of the likelihood of default over a given time horizon.

LGD - The loss given default 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 the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

EAD - The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.

Forward-looking information

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the company relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, interest rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements.

3. Summary of significant accounting policies (continued)

3.9 Non-derivative financial assets and liabilities (continued)

***Impairment** (continued)*

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.

Definition of default

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets suchas adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative - e.g. breaches of covenant,
- Quantitative - e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources.

3.10 De-recognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control on the financial asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Company derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

3. Summary of significant accounting policies (continued)

3.11 Dividend distribution

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

3.12 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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 end of the reporting period, 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 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.

3.13 Foreign currency transactions

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in Arab Emirates Dirhams ("AED"), which is the functional currency of the Company and the presentation currency for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the year in which they arise.

3.14 Employee terminal benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is usually based upon the employees' length of service and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment and are not less than the liability arising under UAE Labour Law.

The Company contributes to the pension scheme for UAE nationals under the UAE pension and social security law. This is a defined contribution pension plan and the Company's contributions are charged tothe statement of profit or loss in the period to which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fixed contributions as they fall due and no obligations exist to pay the future benefits.

3. Summary of significant accounting policies (continued)

3.15 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

3.16 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

3.17 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to offset the recognised amounts audit intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

3.18 Directors' remuneration

Pursuant to Article 169 of Federal Law No. 2 of 2015 and in accordance with the Articles of Association of the Company, the Directors are entitled for remuneration which shall not exceed 10% of the net profits after deducting depreciation and reserves.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities 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. Revisions to accounting estimates are recognised in the period 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.

4.1 Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (see 4.2 below), that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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

4.1 Critical accounting judgements (continued)

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as FVTPL, FVTOCI or FV at amortised cost. The Company classifies investments at FVTPL if they are acquired primarily for the purpose of making a short term profit by the dealers.

Equity instruments are classified as FVOCI securities when they are considered by management to be strategic equity investments that are not held to benefit from changes in their fair value and are not held for trading.

Management is satisfied that the Company's investments in securities are appropriately classified.

4.1.2 Classification of properties

In the process of classifying properties, management has made various judgments. Judgments are needed to determine whether a property qualifies as an investment property, property and equipment, property under development and/or property held for sale. Management develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property and equipment, property under development and property held for sale. In making its judgment, management has considered the detailed criteria and related guidance set out in IAS 2 – Inventories, IAS 16 – Property, Plant and Equipment, and IAS 40 – Investment Property, with regards to the intended use of the property.

4.1.3 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

4.1.4 Insurance contract classification

Contracts are classified as insurance contracts where they transfer significant insurance risk from the holder of the contract to the Company.

There are a number of contracts sold where the Company exercises judgement about the level of insurance risk transferred. The level of insurance risk is assessed by considering whether there are any scenarios with commercial substance in which the Company is required to pay significant additional benefits. These benefits are those which exceed the amounts payable if no insured event were to occur. These additional amounts include claims liability and assessment costs, but exclude the loss of the ability to charge the holder of the contract for future services.

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

4.2 Key sources of estimation uncertainty

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

4.2.1 Individual life insurance

The assumptions used in the actuarial valuations for life fund are consistently applied and these assumptions are based on mortality and withdrawal rate assumptions.

4.2.2 Provision for outstanding claims whether reported or not

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made at the end of the reporting period for both the expected ultimate cost of claims reported and for the expected ultimate 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 Company 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.

4.2.3 Calculation of loss allowance

When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. Forward looking factor considered as the GDP of U.A.E.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

4.2.4 Liability adequacy test

At each statement of financial position date, liability adequacy tests are performed to ensure the adequacy of insurance contract liabilities. The Company makes use of the best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from the assets backing such liabilities in evaluating the adequacy of the liability. Any deficiency is immediately charged to the profit or loss.

4.2.5 Valuation of investment property

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio annually.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.5 Valuation of investment property (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

The Company has taken the highest and best use fair values for the fair value measurement of its investment properties.

Valuation technique	Significant unobservable inputs	Interrelationship between key unobservable inputs and fair value measurements
1) Income valuation approach 2) Sales comparative valuation approach 3) Residual approach	-Expected market rental growth rate -Free hold property -Free of covenants, third party rights and obligations -Statutory and legal validity -Condition of the property, location and plot area -Recent sales value of comparable properties	The estimated fair value increase/decrease if: - Expected market rental growth rate were higher - The risk adjusted discount rates were lower/higher - The property is not free hold - The property is subject to any covenants, rights and obligations - The property is subject to any adverse legal notices / judgment - The property is subject to any defect / damages - The property is subject to sales value fluctuations of surrounding properties in the area.

4.2.6 Depreciation of property and equipment

The cost of property and equipment is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial.

4.2.7 Impairment of intangible assets

The period of amortisation of the intangible assets is determined based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company and technological obsolescence. Management has concluded that no impairment of intangible assets is required based on impairment test performed by the Company as of the reporting date.

Notes to the financial statements
For the year ended 31 December 2019 (continued)

5. Property and equipment

	Land and office building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total AED
Cost						
At 31 December 2017	34,314,711	9,298,459	1,507,211	265,050	7,540,154	52,925,585
Additions during the year	-	34,399	288,072	58,000	228,064	608,535
Disposals	-	(8,599)	-	-	(74,830)	(83,429)
Transfers	-	-	-	-	(375,495)	(375,495)
At 31 December 2018	34,314,711	9,324,259	1,795,283	323,050	7,317,893	53,075,196
Additions during the year	-	57,100	29,831	79,000	144,536	310,467
Disposals	-	(12,065)	-	-	(25,555)	(37,620)
At 31 December 2019	**34,314,711**	**9,369,294**	**1,825,114**	**402,050**	**7,436,874**	**53,348,043**
Accumulated depreciation						
At 31 December 2017	6,177,920	8,280,880	1,373,396	259,587	5,887,816	21,979,599
Charge for the year	1,029,653	581,771	108,650	4,188	838,170	2,562,432
Disposals	-	(8,592)	-	-	(74,324)	(82,916)
At 31 December 2018	7,207,573	8,854,059	1,482,046	263,775	6,651,662	24,459,115
Charge for the year	1,029,653	309,307	111,981	19,763	502,264	1,972,968
Disposals	-	(12,065)	-	-	(25,555)	(37,620)
At 31 December 2019	**8,237,226**	**9,151,301**	**1,594,027**	**283,538**	**7,128,371**	**26,394,463**
Carrying amount						
At 31 December 2019	**26,077,485**	**217,993**	**231,087**	**118,512**	**308,503**	**26,953,580**
At 31 December 2018	27,107,138	470,200	313,237	59,275	666,231	28,616,081

At 31 December 2019, the cost of fully depreciated property and equipment that was still in use amounted to AED 16,422,652 (2018: AED 13,823,707).

Property and equipment are located in U.A.E.

Notes to the financial statements
For the year ended 31 December 2019 (continued)

6. Intangible assets

	Computer software AED
Cost	
At 31 December 2017	9,191,700
Transfers	386,144
At 31 December 2018	9,577,844
Additions during the year	2,457,096
At 31 December 2019	**12,034,940**
Accumulated amortization	
At 31 December 2017	6,404,027
Charge for the year	1,157,666
At 31 December 2018	7,561,693
Charge for the year	954,479
At 31 December 2019	**8,516,172**
Carrying amount	
At 31 December 2019	**3,518,768**
At 31 December 2018	2,016,151

7. Investment properties

	2019 AED	2018 AED
At 1 January	**218,779,637**	228,689,290
Change in fair value	**(29,546,113)**	(9,909,653)
At 31 December	**189,233,524**	218,779,637

	2019 AED		2018 AED	
	Cost	Fair value	Cost	Fair value
Land	**119,627,060**	**112,559,192**	119,627,060	128,825,000
Office building	**63,156,439**	**76,674,332**	63,156,439	89,954,637
At 31 December	**182,783,499**	**189,233,524**	182,783,499	218,779,637

Investment properties include two plots of land, and rented out portion of a commercial building. All investment properties are located in U.A.E.

7. Investment properties (continued)

The carrying amount of investment properties are the fair value of the properties as determined by independent appraisers having an appropriate recognized professional qualification and recent experience in the location and category of the property being valued and is reviewed by the Board of Directors on a yearly basis. Fair values were determined based on income valuation approach, sales comparative approach and open market value basis.

The properties have been categorized as Level 3 based on the inputs to the valuation technique used; and in estimating the fair value, the highest and best use of the properties is their current use.

The rental income and operating expenses relating to these properties are as follows:

	2019 AED	2018 AED
Rental income	**6,549,301**	6,292,581
Operating expenses	**(2,098,787)**	(1,994,107)
Net rental income	**4,450,514**	4,298,474

8. Investment securities

The Company's investment securities at the end of reporting period are detailed below.

	2019 AED	2018 AED
Financial assets at fair value through profit or loss	**124,022,367**	184,774,325
Financial assets at fair value through other comprehensive income	**11,285,852**	44,190,793
Financial assets at amortised cost	**24,192,500**	24,192,500
Less: Provision for expected credit losses (ECL)	**(36,252)**	(858,246)
	159,464,467	252,299,372
Investments securities – Geographic concentration		
Investments made:		
- Within U.A.E.	**125,913,496**	212,492,935
- Outside U.A.E.	**33,550,971**	39,806,437
Total	**159,464,467**	252,299,372
Financial assets at fair value through profit or loss		
Equity investments – quoted	**65,768,018**	91,182,995
Equity investments – unquoted	**10,000,000**	10,000,000
Fixed income investments/ bonds – quoted	**7,135,454**	42,573,173
Investments on behalf of policyholders of unit-linked products	**41,118,895**	41,018,157
Total	**124,022,367**	184,774,325

8. Investment securities (continued)

The movements in investments securities are as follows:

	At FVTOCI		At FVTPL	
	2019 AED	2018 AED	**2019 AED**	2018 AED
At 31 December	**44,190,793**	44,565,553	**184,774,325**	189,669,387
Purchased during the year	**31,559,839**	20,676,502	**26,131,452**	37,291,807
Disposals during the year	**(64,792,712)**	(21,071,099)	**(88,586,849)**	(31,717,548)
Change in fair value	**327,932**	19,837	**1,703,439**	(10,469,321)
At 31 December	**11,285,852**	44,190,793	**124,022,367**	184,774,325

Financial investments at amortised costs represents bonds with carrying interest at the rates of 0.7% to 4.35% per annum. The bonds are redeemable at par from 2020 to 2022 Based their maturity dates. The fair value of these bonds as at 31 December 2019 is AED 24,107,995 (2018: AED 23,674,712).

Movements in provision for ECL are as follows:

	2019 AED	2018 AED
Balance at the beginning of the year	**858,246**	-
Initial application of IFRS 9	-	872,938
	858,246	872,938
Reversal for the year	**(821,994)**	(14,692)
Balance at the end of the year	**36,252**	858,246

Change in fair value of FVTPL investments were classified as follows:

	2019 AED	2018 AED
Net earned investments (Note 18)	**1,104,046**	9,196,638
Net income from life investments	**599,393**	1,272,683
	1,703,439	10,469,321

9. Insurance contract liabilities and reinsurance contract assets

	2019 AED	2018 AED
Insurance contract liabilities		
Claims reported unsettled	**150,269,111**	141,261,531
Claims incurred but not reported	**50,181,955**	59,203,401
Life assurance fund	**84,675,567**	84,518,056
Unearned premium and unexpired risk	**227,210,699**	229,735,512
Total insurance contract liabilities, gross	**512,337,332**	514,718,500
Re-insurance contract assets		
Recoverable from reinsurers		
Claims reported unsettled	**112,965,504**	110,073,157
Claims incurred but not reported	**27,893,098**	36,273,470
Life assurance fund	**6,200,608**	7,300,730
Unearned premium and unexpired risk	**108,140,397**	121,803,584
Total reinsurers' share of insurance liabilities	**255,199,607**	275,450,941
Net		
Claims reported unsettled	**37,303,607**	31,188,374
Claims incurred but not reported	**22,288,857**	22,929,931
Life assurance fund (Note 9.2)	**78,474,959**	77,217,326
Unearned premium and unexpired risk	**119,070,302**	107,931,928
	257,137,725	239,267,559

Notes to the financial statements
For the year ended 31 December 2019 (continued)

9. Insurance contract liabilities and reinsurance contract assets (continued)

9.1 Movements in the insurance contract liabilities and reinsurance contract assets during the year were as follows:

	2019			2018		
	Gross AED	**Reinsurance AED**	**Net AED**	Gross AED	Reinsurance AED	Net AED
Claims reported unsettled	**141,261,531**	**110,073,157**	**31,188,374**	171,753,184	139,688,837	32,064,347
Incurred but not reported	**59,203,401**	**36,273,470**	**22,929,931**	62,157,572	39,812,025	22,345,547
Total at the beginning of the year	**200,464,932**	**146,346,627**	**54,118,305**	233,910,756	179,500,862	54,409,894
Claims settled in the year	**(349,108,525)**	**(187,670,274)**	**(161,438,251)**	(320,481,240)	(165,467,592)	(155,013,648)
Increase in liabilities	**349,094,659**	**182,182,249**	**166,912,410**	287,035,416	132,313,357	154,722,059
Total at the end of the year	**200,451,066**	**140,858,602**	**59,592,464**	200,464,932	146,346,627	54,118,305
Claims reported unsettled	**150,269,111**	**112,965,504**	**37,303,607**	141,261,531	110,073,157	31,188,374
Incurred but not reported	**50,181,955**	**27,893,098**	**22,288,857**	59,203,401	36,273,470	22,929,931
Total at the end of the year	**200,451,066**	**140,858,602**	**59,592,464**	200,464,932	146,346,627	54,118,305
Unearned premium and unexpired risk						
Total at the beginning of the year	**229,735,512**	**121,803,584**	**107,931,928**	209,182,198	103,116,204	106,065,994
Net (decrease)/increase during the year (Note 17)	**(2,524,813)**	**(13,663,187)**	**11,138,374**	20,553,314	18,687,380	1,865,934
Total at the end of the year	**227,210,699**	**108,140,397**	**119,070,302**	229,735,512	121,803,584	107,931,928

9. Insurance contract liabilities and reinsurance contract assets (continued)

9.2 *Life assurance fund*

	AED
31 December 2017	77,994,856
Decrease	(777,530)
31 December 2018	77,217,326
Increase	1,257,633
31 December 2019	**78,474,959**

9.3 *Claim development table*

	2016 AED	2017 AED	2018 AED	2019 AED	Underwriting year Total AED
Gross					
Estimate of net incurred claims costs					
- At the end of underwriting year	271,265,210	202,182,539	214,945,989	297,499,335	985,893,073
- One year later	372,794,718	266,858,273	322,078,041	-	961,731,032
- Two years later	383,512,315	290,067,499	-	-	673,579,814
- Three years later	391,891,445	-	-	-	391,891,445
Current estimate of incurred claims	391,891,445	290,067,499	322,078,041	297,499,335	1,301,536,320
Cumulative payments to date	(387,548,120)	(271,891,850)	(283,011,518)	(205,616,842)	(1,148,068,330)
Liability recognised	4,343,325	18,175,649	39,066,523	91,882,493	153,467,990
Liability in respect of prior years					46,983,076
Total liability included in the statement of financial position					200,451,066
Net					
Estimate of net incurred claims costs					
- At the end of underwriting year	147,819,237	101,569,616	100,612,592	144,732,527	494,733,972
- One year later	177,186,870	126,990,505	135,095,090	-	439,272,465
- Two years later	181,380,603	130,694,300	-	-	312,074,903
- Three years later	183,899,118	-	-	-	183,899,118
Current estimate of incurred claims	183,899,118	130,694,301	135,095,090	144,732,527	594,421,036
Cumulative payments to date	(182,181,702)	(128,774,846)	(127,618,310)	(103,153,312)	(541,728,170)
Liability recognised	1,717,416	1,919,455	7,476,780	41,579,215	52,692,866
Liability in respect of prior years					6,899,598
					59,592,464

9. Insurance contract liabilities and reinsurance contract assets (continued)

9.4 Summary of the Actuary's report on the Technical Provisions

Actuarial estimation of the insurance liabilities has been performed by the independent actuary in accordance with the requirement of new financial regulations issued under Federal Law No. 6 of 2007 pertaining to the insurance companies and agents. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

Gross reserve

31 December 2019

	Life insurance AED	**General insurance AED**	**Total AED**
Reserve for outstanding claims (including IBNR)	**21,778,440**	**178,672,626**	**200,451,066**
Unearned premium and unexpired risk	**2,247,752**	**224,962,947**	**227,210,699**
Life assurance fund	**84,675,567**	**-**	**84,675,567**
	108,701,759	**403,635,573**	**512,337,332**

31 December 2018

	Life insurance AED	General insurance AED	Total AED
Reserve for outstanding claims (including IBNR)	22,374,035	178,090,897	200,464,932
Unearned premium and unexpired risk	2,538,251	227,197,261	229,735,512
Life assurance fund	84,518,056	-	84,518,056
	109,430,342	405,288,158	514,718,500

Net reserve

31 December 2019

	Life insurance AED	**General insurance AED**	**Total AED**
Reserve for outstanding claims (including IBNR)	**4,742,327**	**54,850,137**	**59,592,464**
Unearned premium and unexpired risk	**1,424,499**	**117,645,803**	**119,070,302**
Life assurance fund	**78,474,959**	**-**	**78,474,959**
	84,641,785	**172,495,940**	**257,137,725**

9. Insurance contract liabilities and reinsurance contract assets (continued)

9.4 Summary of the Actuary's report on the Technical Provisions (continued)

Net reserve (continued)

31 December 2018

	Life insurance AED	General insurance AED	Total AED
Reserve for outstanding claims (including IBNR)	3,238,282	50,880,023	54,118,305
Unearned premium reserve	1,636,948	106,294,980	107,931,928
Life assurance fund	77,217,326	-	77,217,326
	82,092,556	157,175,003	239,267,559

10. Insurance and other receivables

	2019 AED	2018 AED
Premium receivable	**16,581,589**	33,375,220
Reinsurance companies	**23,374,552**	33,447,058
Insurance agents and brokers	**85,721,199**	90,070,133
Due from related parties	**7,596,223**	6,926,925
Accrual of interest and other income	**3,081,614**	3,492,088
Deferred acquisition cost	**15,626,836**	12,364,675
Advances and prepayments	**2,583,450**	2,376,069
VAT receivables	**288,518**	-
Other receivables	**10,248,890**	9,951,719
	165,102,871	192,003,887
Less: Provision for ECL	**(13,103,664)**	(13,230,084)
	151,999,207	178,773,803

10. Insurance and other receivables (continued)

Movements in provision for ECL are as follows:

	2019 AED	2018 AED
Balance at the beginning of the year	**13,230,084**	7,500,000
Initial application of IFRS 9	**-**	5,934,095
	13,230,084	13,434,095
Reversal for the year	**(126,420)**	(204,011)
Balance at the end of the year	**13,103,664**	13,230,084

No interest is charged on overdue balances and no collateral is taken on insurance receivables.

11. Bank balances and cash

	2019 AED	2018 AED
Cash on hand	**34,601**	50,425
Cash with banks	**37,107,663**	39,654,049
Statutory deposit	**10,000,000**	10,000,000
Fixed deposits	**339,952,837**	216,274,834
Less: Provision for ECL	**(105,371)**	(87,442)
Total bank balances and cash	**386,989,730**	265,891,866
Less: Deposits with maturities greater than three months	**(282,315,522)**	(226,187,392)
Cash and cash equivalents	**104,674,208**	39,704,474

11. Bank balances and cash (continued)

Statutory deposits represents bank deposits maintained in accordance with Article 42 of UAE Federal Law No. 6 of 2007.

Fixed deposits amounting to AED 16.4 million (31 December 2018: AED 16 million) under lien are against letters of guarantee (Note 22).

These deposits bears an interest rate range of 2.03% to 4.15% per annum (31 December 2018: 2.65%% to 4.25% per annum).

Movements in provision for ECL are as follows:

	2019 AED	2018 AED
Balance at the beginning of the year	**87,442**	-
Initial application of IFRS 9	-	214,640
	87,442	214,640
Allowance made/(reversed) during the year	**17,929**	(127,198)
Balance at the end of the year	**105,371**	87,442

12. Share capital

	2019 AED	2018 AED
Issued and fully paid (149,954,112 ordinary shares of AED 1 each)	**149,954,112**	149,954,112

13. Legal reserve

In accordance with the Company's Articles of Association and UAE Federal Law No. 2 of 2015, the Company transfers 10% of annual net profits, if any, to the legal reserve until it equals 50% of the share capital. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a general reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors or if this reserve amounts to 50% of the paid capital of the Company.

The General reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors. The legal reserve and general reserve reached 50% of share capital during 2017.

14. Provision for end of service indemnity

Movements in the net liability were as follows:

	2019 AED	2018 AED
Balance at the beginning of the year	**10,138,208**	8,637,041
Amounts charged to income during the year	**1,843,953**	1,889,158
Amounts paid during the year	**(726,078)**	(387,991)
	11,256,083	10,138,208

15. Insurance and other payables

	2019 AED	2018 AED
Creditors	**17,386,577**	26,678,140
Reinsurance companies	**41,499,798**	74,887,265
Premium reserve withheld	**51,024,860**	58,117,174
Due to related parties	**3,090,065**	547,452
Deferred reinsurance commission	**11,819,521**	4,120,965
Accrued expenses	**12,112,069**	7,165,365
Commission payable	**1,171,635**	620,677
VAT payable	**-**	224,957
Other payable balances	**13,403,196**	19,358,704
	151,507,721	191,720,699

16. Payable to policyholders of unit-linked products

Movement during the year:

	2019 AED	2018 AED
As at 1 January	**41,018,157**	45,249,827
Amount invested by policyholders	**12,389,192**	9,724,614
Amount withdrawn at redemption stage/lapse/surrender by policyholder	**(19,095,706)**	(9,232,539)
Change in fair value	**6,807,252**	(4,723,745)
Payable to policyholders of unit-linked products	**41,118,895**	41,018,157

17. Net earned premium

	2019 AED	2018 AED
Gross premium written		
Gross premium written	**535,876,024**	551,413,111
Change in unearned premium (Note 9)	**2,524,813**	(20,553,314)
	538,400,837	530,859,797
Reinsurance premium ceded		
Reinsurance premium ceded	**262,772,081**	294,695,369
Change in unearned premium (Note 9)	**13,663,187**	(18,687,380)
	276,435,268	276,007,989
Net earned premium	**261,965,569**	254,851,808

18. Net income from other investments

	2019 AED	2018 AED
Dividend income	**4,355,171**	6,654,480
Realised gains on investments	**10,037,314**	6,035,023
Unrealised loss on investments at FVTPL	**1,104,046**	(9,196,638)
Expenses / charges on securities	**(84,315)**	(326,748)
	15,412,216	3,166,117

19. General and administrative expenses

	2019 AED	2018 AED
General and administrative expenses for underwriting operations	**57,733,723**	55,186,777
Others- for investments and centralised operation	**18,061,190**	15,389,142
	75,794,913	70,575,919

19. General and administrative expenses (continued)

The above general and administration expenses include the following costs:

	2019 AED	2018 AED
Staff costs	**47,727,707**	44,169,714
Rent	**2,404,711**	2,336,342
Depreciation and amortisation	**2,927,447**	3,720,098
Others	**22,729,785**	20,349,765
	75,789,650	70,575,919
Number of employees at 31 December	**441**	380

20. Earnings per share

	2019	2018
Profit for the year (in AED)	**17,458,498**	31,365,180
Weighted average number of shares	**149,954,112**	149,954,112
Basic and diluted earnings per share (in AED)	**0.12**	0.21

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

21. Related party transactions

The Company, in the normal course of business, collects premiums, settles claims and enters into transactions with other business enterprises that fall within the definition of a related party as defined by International Accounting Standard 24 (Revised). The Company's management believes that the terms of such transactions are not significantly different from those that could have been obtained from third parties.

21. Related party transactions (continued)

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

	2019 AED	2018 AED
Due from related parties		
Insurance premium receivable	**7,596,223**	6,926,925
Due to related parties		
Insurance payable	**3,090,065**	547,452
Cash and cash equivalents		
Cash at bank	**27,265,731**	34,417,262
Short term deposit	**200,692,321**	119,820,894
	227,958,052	154,238,156

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

	2019 AED	2018 AED
Key management personnel compensation		
Remuneration and short term benefits	**9,009,126**	9,244,530
End of service benefits	**626,111**	548,723
Other related parties		
Premiums	**66,676,255**	69,368,517
Claims paid	**26,135,575**	46,719,365
Dividend paid	**19,233,370**	19,233,370
Interest income	**3,448,675**	425,000

22. Contingent liabilities

	2019 AED	2018 AED
Letters of guarantee	**9,671,380**	10,152,390

Fixed deposits amounting to AED 16.4 million (31 December 2018: AED 16 million) are under lien as collateral in respect of above guarantees (Note 11). Guarantees include an amount of AED 10 million (31 December 2018: AED 10 million) favoring the Ministry of Economy and Commerce (Note 11).

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

Notes to the financial statements
For the year ended 31 December 2019 (continued)

23. Dividend and directors' remuneration

At the Annual General Meeting held on 26 March 2019, the Shareholders approved a cash dividend of AED 22,493,117 at 0.15 dirhams per share for 2018 (2018: AED 22,493,117 at 0.15 dirhams per share for 2017). The Shareholders also approved Board of Directors' remuneration of AED 2,386,748 for 2018 (2018: AED 2,520,247 for 2017).

The Board of Directors' propose that a dividend of AED 10 fils per share amounting to AED 14,995,411 be paid to shareholders for 2019. Further, Board of Directors propose Board of Directors' remuneration of AED 1.7 million for 2019 (2018: AED 2.3 million). These are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

24. Segment information

For management purposes the Company is organized into two operating segments, general insurance and life assurance. These segments are the basis on which Company reports its primary segment information to management.

Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Notes to the financial statements
For the year ended 31 December 2019 (continued)

24. Segment information (continued)

	General insurance		Life assurance		Total	
	2019 AED	2018 AED	**2019 AED**	2018 AED	**2019 AED**	2018 AED
UNDERWRITING INCOME						
Gross written premium	**490,254,878**	502,093,117	**45,621,146**	49,319,994	**535,876,024**	551,413,111
Reinsurance ceded	**(243,350,605)**	(276,049,887)	**(19,421,476)**	(18,645,482)	**(262,772,081)**	(294,695,369)
Net premium	**246,904,273**	226,043,230	**26,199,670**	30,674,512	**273,103,943**	256,717,742
Change in unearned premium/unexpired risk	**(11,350,823)**	(1,781,684)	**212,449**	(84,250)	**(11,138,374)**	(1,865,934)
Reinsurance commission earned	**20,765,889**	29,414,063	**4,393,980**	6,305,342	**25,159,869**	35,719,405
Total underwriting income	**256,319,339**	253,675,609	**30,806,099**	36,895,604	**287,125,438**	290,571,213
UNDERWRITING EXPENSES						
Net incurred claims	**(133,546,974)**	(127,283,432)	**(33,365,436)**	(27,438,627)	**(166,912,410)**	(154,722,059)
Commission incurred	**(36,397,114)**	(40,121,938)	**(2,283,322)**	(2,671,636)	**(38,680,436)**	(42,793,574)
Administrative expenses	**(52,051,229)**	(49,160,181)	**(5,682,494)**	(6,026,596)	**(57,733,723)**	(55,186,777)
Total underwriting expenses	**(221,995,317)**	(216,565,551)	**(41,331,252)**	(36,136,859)	**(263,326,569)**	(252,702,410)
Profit/(loss) before movement in life assurance fund	**34,324,022**	37,110,058	**(10,525,153)**	758,745	**23,798,869**	37,868,803
Net movement in life assurance fund and payable to policyholders of unit linked products	**-**	-	**(1,358,371)**	5,009,200	**(1,358,371)**	5,009,200
Increase/(decrease) in fair value of investment held for unit linked products	**-**	-	**6,807,252**	(4,723,745)	**6,807,252**	(4,723,745)
Net income from investments life	**-**	-	**5,275,723**	(1,671,916)	**5,275,723**	(1,671,916)
Underwriting profit	**34,324,022**	37,110,058	**199,451**	(627,716)	**34,523,473**	36,482,342
Income from investments, interest and rent					**996,215**	10,271,980
Unallocated expenses					**(18,061,190)**	(15,389,142)
Profit for the year					**17,458,498**	31,365,180

Notes to the financial statements
For the year ended 31 December 2019 (continued)

24. Segment information (continued)

	General insurance		Life assurance		Total	
	2019	2018	**2019**	2018	**2019**	2018
	AED	AED	**AED**	AED	**AED**	AED
ASSETS						
Property and equipment	**26,953,580**	28,616,081	**-**	-	**26,953,580**	28,616,081
Intangible assets	**3,518,768**	2,016,151	**-**	-	**3,518,768**	2,016,151
Investment properties	**149,708,072**	178,504,637	**39,525,452**	40,275,000	**189,233,524**	218,779,637
Investments securities	**75,768,019**	152,790,359	**83,696,448**	99,509,013	**159,464,467**	252,299,372
Reinsurance assets	**231,139,633**	248,101,107	**24,059,974**	27,349,834	**255,199,607**	275,450,941
Insurance and other receivables	**147,598,477**	158,466,595	**4,400,730**	20,307,208	**151,999,207**	178,773,803
Cash and bank balances	**300,341,040**	216,447,304	**86,648,690**	49,444,562	**386,989,730**	265,891,866
Total assets	**935,027,589**	984,942,234	**238,331,294**	236,885,617	**1,173,358,883**	1,221,827,851
LIABILITIES						
Insurance contract liabilities	**403,635,573**	405,276,110	**108,701,759**	109,442,390	**512,337,332**	514,718,500
Provision for end of service indemnity	**11,256,083**	10,138,208	**-**	-	**11,256,083**	10,138,208
Insurance and other payables	**140,739,050**	185,200,996	**10,768,671**	6,519,703	**151,507,721**	191,720,699
Payable to policyholders of unit linked products	**-**	-	**41,118,895**	41,018,157	**41,118,895**	41,018,157
Total liabilities	**555,630,706**	600,615,314	**160,589,325**	156,980,250	**716,220,031**	757,595,564
EQUITY						
Share capital					**149,954,112**	149,954,112
Legal reserve					**74,977,056**	74,977,056
General reserve					**74,977,056**	74,977,056
Change in fair value of investment in FVOCI					**254,852**	(73,080)
Retained earnings					**156,975,776**	164,397,143
Total equity					**457,138,852**	464,232,287
Total liabilities and equity					**1,173,358,883**	1,221,827,851

25. Insurance risk

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risk and the way the Company manages them.

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that hinder the sustainable achievement of the set financial performance objectives. Management recognises the critical importance of having efficient and effective risk management systems in place.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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 influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

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

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

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

25.1 Frequency and severity of claims

The Company has the right not to renew individual policies, re-price the risk, impose deductibles and reject the payment of a fraudulent claim. Insurance contracts also entitle the Company to pursue third parties for payment of some or all costs (for example, subrogation).

25. Insurance risk (continued)

25.1 Frequency and severity of claims (continued)

Property insurance contracts are underwritten by reference to the commercial replacement value of the properties and contents insured, and claim payment limits are always included to cap the amount payable on occurrence of the insured event. Cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruption are the key factors that influence the level of claims under these policies. Property insurance contracts are subdivided into four risk categories: fire, business interruption, weather damage and theft. The insurance risk arising from these contracts is not concentrated in any of the territories in which the Company operates, and there is a balance between commercial and personal properties in the overall portfolio of insured buildings.

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 275,000 for motor business in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once a year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

25.2 Sources of uncertainty in the estimation of future claim payments

Claims on insurance contracts are payable on a claims-occurrence basis. The Company is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time and element of the claims provision includes incurred but not reported claims (IBNR). The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where information about the claim event is available. IBNR claims may not be apparent to the insured until many years after the event that gave rise to the claims. For some insurance contracts, the IBNR proportion of the total liability is high and will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these liabilities. In estimating the liability for the cost of reported claims not yet paid, the Company considers information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods. Apart from internal actuary, the Company has involved independent external actuarial valuer's as well. 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 Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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

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

25. Insurance risk (continued)

25.2 Sources of uncertainty in the estimation of future claim payments (continued)

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

25.3 Process used to decide on assumptions

The process used to determine the assumptions for calculating the outstanding claim reserve is intended to result in neutral estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out annually. The assumptions are checked to ensure that they are consistent with observable market practices or other published information.

The nature of the business makes it very difficult to predict with certainty the likely outcome of any particular claim and the ultimate cost of notified claims. Each notified claim is assessed on a separate, case by case basis with due regard to the claim circumstances, information available from loss adjusters and historical evidence of the size of similar claims. Case estimates are reviewed regularly and are updated as and when new information arises.

The provisions are based on information currently available. However, the ultimate liabilities may vary as a result of subsequent developments or if catastrophic events occur. The impact of many of the items affecting the ultimate costs of the loss is difficult to estimate.

The provision estimation difficulties also differ by class of business due to differences in the underlying insurance contract, claim complexity, the volume of claims and the individual severity of claims, determining the occurrence date of a claim, and reporting lags.

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries. Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR) using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation.

The assumptions that have the greatest effect on the measurement of insurance contract liabilities are the expected loss ratios for the most recent accident years.

An analysis of sensitivity around various scenarios provides an indication ofthe adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

The Company has an internal actuary and independent external actuaries are also involved in the valuation of technical reserves of the Company.

25. Insurance risk (continued)

25.4 Concentration of insurance risk

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates. In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangement with other parties for reinsurance purposes.

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

25.5 Sensitivity of underwriting profit and losses

The contribution by the insurance operations is a profit of AED 34.5 million for the year ended 31 December 2019 (2018: AED 36.5 million). The Company does not foresee any major impact from insurance operations to the Company's results and expects to increase the contribution by insurance operations to the profitability due to the following reasons:

The Company has an overall retention level of 51% (2018: 47%). The risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

26. Capital risk management

The Company's objectives when managing capital are:

- to comply with the insurance capital requirements required by U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations.
- to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing insurance contracts commensurately with the level of risk.

In U.A.E., Insurance Authority specifies the minimum amount and type of capital that must be held by the Company in addition to its insurance liabilities. The minimum required capital (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the minimum required capital of the Company and the total capital held.

	2019 AED	2018 AED
Total capital held	**149,954,112**	149,954,112
Minimum regulatory capital	**100,000,000**	100,000,000

26. Capital risk management (continued)

The U.A.E. Insurance Authority has 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 reinsurance firms. The resolution also stipulates that at least 75 percent of the capital of the insurance companies established in the U.A.E. should be owned by U.A.E. or G.C.C. national individuals or corporate bodies.

As per Article (8) of Section (2) of financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirement of solvency margins. As of 31 December 2019, the Company is confident of complying with solvency margins.

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

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

27. Financial instruments

The Company 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 most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

Significant accounting policies

Details of the significant accounting 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.

Notes to the financial statements
For the year ended 31 December 2018 (continued)

27. Financial instruments (continued)

Classes and categories of financial assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities and their fair value:

31 December 2019

	FVTPL AED	**FVTOCI AED**	**Amortised cost AED**	**Total AED**
Financial assets:				
Investment securities	**123,986,115**	**11,285,852**	**24,192,500**	**159,464,467**
Insurance and other receivables	-	-	**133,500,403**	**133,500,403**
Cash and bank balances	-	-	**386,989,730**	**386,989,730**
	123,986,115	**11,285,852**	**544,682,633**	**679,954,600**
Financial liabilities:				
Insurance and other payables	-	-	**139,688,201**	**139,688,201**
Payable to policyholders of unit-linked products	-	-	**41,118,895**	**41,118,895**
	-	-	**180,807,096**	**180,807,096**

31 December 2018

	FVTPL AED	FVTOCI AED	Amortised cost AED	Total AED
Financial assets:				
Investment securities	183,977,526	44,129,346	24,192,500	252,299,372
Insurance and other receivables	-	-	164,033,059	164,033,059
Cash and bank balances	-	-	265,891,866	265,891,866
	183,977,526	44,129,346	454,117,425	682,224,297
Financial liabilities:				
Insurance and other payables	-	-	187,374,777	187,374,777
Payable to policyholders of unit-linked products	-	-	41,018,157	41,018,157
	-	-	228,392,934	228,392,934

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

27. Financial instruments (continued)

Fair value measurements

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

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

Financial assets	Fair value as at 2019 AED	2018 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
FVOCI						
Quoted debt securities	**11,285,852**	44,129,346	Level 1	Quoted bid prices in an active market.	None.	N/A
FVTPL						
Quoted equity securities	**65,768,018**	91,182,995	Level 1	Quoted bid prices in an active market.	None.	N/A
Quoted debt securities	**7,099,202**	41,776,374	Level 1	Quoted bid prices in an active market.	None.	N/A
Unit linked products	**41,118,895**	41,018,157	Level 2	Net assets valuation method.	Net assets value.	Higher the net assets value of the investees, higher the fair value.
Unquoted equity investments	**10,000,000**	10,000,000	Level 2	Net assets valuation of funds.	Net assets value.	Higher the net assets value of the investees, higher the fair value.

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

Market risk

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

Foreign currency risk

There are no significant exchange rate risks as substantially all financial assets and financial liabilities are denominated in Arab Emirates Dirhams, other G.C.C. currencies or US Dollars to which the Dirham is fixed.

27. Financial instruments (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company invests in securities and has deposits that are subject to interest rate risk. Interest rate risk to the Company is the risk of changes in market interest rates reducing the overall return on its interest bearing securities.

The Company's interest risk policy requires to manage interest risk by maintaining an appropriate mix of fixed and variable rate instruments. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and investments are denominated and has no significant concentration of interest rate risk.

Sensitivity analysis

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2019 and equity as at 31 December 2019 would increase/decrease by approximately AED 1,263,108 (2018: AED 1,061,172). The Company's sensitivity to interest rates has not changed significantly from the prior year.

Credit risk

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

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

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

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

27. Financial instruments (continued)

Credit risk (continued)

The Company maintains records of the payment history for significant contract holders with whom it conducts regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors of the Company. Management information reported to the Company includes details of provisions for impairment on insurance receivables and subsequent write-offs. Exposures to individual policyholders and groups of policyholders are collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

For receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

Insurance receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of insurance receivable.

At the end of the reporting period, the Company's maximum exposure to credit risk, from insurance receivables situated outside the U.A.E. were as follows:

	2019 **AED**	2018 AED
Europe	**-**	2,611,831
Other G.C.C. countries	**2,542,316**	854,180

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Company defines counterparties as having similar characteristics if they are related entities. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements
For the year ended 31 December 2019 (continued)

27. Financial instruments (continued)

Liquidity risk (continued)

The table below summarises the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

	Less than 90 days AED	91-180 days AED	181 – 365 days AED	Above 365 days AED	Total AED
31 December 2019					
Financial assets					
FVTOCI investments	-	-	-	11,285,852	11,285,852
FVTPL investments	116,858,556	-	-	7,127,559	123,986,115
Financial assets at amortised cost	-	-	-	24,192,500	24,192,500
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	26,700,080	66,750,201	40,050,122	-	133,500,403
Bank balances and cash	376,989,730	-	-	-	376,989,730
	520,548,366	66,750,201	40,050,122	52,605,911	679,954,600
Financial liabilities					
Insurance and other payables	36,493,832	69,079,585	34,114,784	-	139,688,201
Payable to policyholders of unit linked investments	-	-	-	41,118,895	41,118,895
	36,493,832	69,079,585	34,114,784	41,118,895	180,807,096

	Less than 90 days AED	91-180 days AED	181 – 365 days AED	Above 365 days AED	Total AED
31 December 2018					
Financial assets					
FVTOCI investments	-	-	-	44,129,346	44,129,346
FVTPL investments	142,223,386	-	-	41,754,140	183,977,526
Financial assets at amortised cost	-	-	-	24,192,500	24,192,500
Statutory deposit	-	-	-	10,000,000	10,000,000
Insurance and other receivables	32,806,612	82,016,530	49,209,917	-	164,033,059
Bank balances and cash	255,891,866	-	-	-	255,891,866
	430,921,864	82,016,530	49,209,917	120,075,986	682,224,297
Financial liabilities					
Insurance and other payables	38,017,971	94,009,683	55,347,123	-	187,374,777
Payable to policyholders of unit linked investments	-	-	-	41,018,157	41,018,157
	38,017,971	94,009,683	55,347,123	41,018,157	228,392,934

27. Financial instruments (continued)

Equity price risk

Sensitivity analysis

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 Company's other comprehensive income and equity would have increased/decreased by AED 7.6 million (2018: AED 10.1 million).

Method and assumptions for sensitivity analysis

- The sensitivity analysis has been done based on the exposure to equity price risk at the reporting date.
- At the end of the reporting period, if equity prices are 10% higher/lower on the market value uniformly for all equities while all other variables are held constant, the impact on profit or loss and equity has been shown above.
- A 10% change in equity prices has been used to give a realistic assessment as a plausible event.

28. Reclassification

The following balances in the statement of financial position for the prior year have been reclassified to conform to the current period presentation.

	As previously reported at 31 December 2018 AED	Reclassification AED	As reclassified at 31 December 2018 AED
Insurance and other receivables	176,907,220	1,866,583	178,773,803
Reinsurance assets	268,150,211	7,300,730	275,450,941
Total assets	1,212,660,538	9,167,313	1,221,827,851
Provision for end of service indemnity	-	10,138,208	10,138,208
Insurance and other payables	199,992,324	(8,271,625)	191,720,699
Insurance contract liabilities	507,417,770	7,300,730	514,718,500
Total liabilities	748,428,251	9,167,313	757,595,564
Total equity and liabilities	1,212,660,538	9,167,313	1,221,827,851

28. Reclassification (continued)

The following balances in the statement of profit or loss for the year have been reclassified to conform to the current year presentation.

	As previously reported at 31 December 2018 AED	Reclassification AED	As reclassified at 31 December 2018 AED
Reinsurance commission	36,197,193	(477,788)	35,719,405
Net underwriting income	291,049,001	(477,788)	290,571,213
Commission incurred	(43,271,362)	477,788	(42,793,574)
Net underwriting expenses	(254,852,114)	2,149,704	(252,702,410)
Administrative expenses	(56,858,693)	1,671,916	(55,186,777)
Net loss from investment life	-	(1,671,916)	(1,671,916)

Reclassification was also made on the statement of cash flows for the prior year to conform to the current year presentation.

There are no changes to profit for the prior year based on above reclassifications.

29. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 13 February 2020.