Al Dhafra Insurance Company (P.S.C)

BOARD OF DIRECTORS' REPORT AND
FINANCIAL STATEMENTS

31 DECEMBER 2019

Al Dhafra Insurance Company (P.S.C)

Composition of Board of Directors

Chairman:	H.E Sheikh Mohamed Bin Sultan Bin Soroor Al Dhahiry
Deputy Chairman:	H.E. Yousef Bin Mohamad Ali Nasser Al Nowais
Directors:	H.E. Sh. Ahmed Moh'd Sultan Suroor Al Dhahiri
	Mr. Rashid Saeed Ahmad Saeed Ghobash
	H.E Sh. Sultan Saeed Sultan Surour Al Dhahiri
	H.E. Saif Mubarak Saif Al Riyami
	H.E. Saif Saeed Ahmed Saeed Ghobash
	Mr. Mohamed Saeed Ahmed Omran Al Mazrouei
	Mr. Mohamed Hussain Jasim Naser Al Nowais
General Manager	Mr. Kamal Sartawi
Address:	P.O. Box 319 Abu Dhabi United Arab Emirates
External auditors:	Ernst & Young Middle East

Al Dhafra Insurance Company (P.S.C)

BOARD OF DIRECTORS' REPORT

31 DECEMBER 2019

BOARD OF DIRECTORS REPORT

For the year ended 31 December 2019

Dear Shareholders

The Board of Directors have the pleasure to welcome you to the Ordinary General Assembly of Al Dhafra Insurance Company P.S.C. (the "Company") and present to you the 40th Annual Report regarding the business activities of the Company during 2019 as well as the financial statements for the year ended 31st December 2019 along with Auditor's Report.

At the outset, the Board of Directors would like to express their appreciation and utmost respect to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the United Arab Emirates and His Brothers, the Rulers of other Emirates and His Highness Sheikh Mohamad Bin Zayed Al Nahyan, Crown Prince of Abu Dhabi for their continuous limitless support and patronage for National institutions and Companies. All credits for the progress and stability achieved by the Country go to our wise leadership.

Company continues its strong position in the market in terms of technical results, net profit, EPS, ROI which is the result of balanced, long term business model and prudent investment strategy adopted by the Company in the volatile global and regional economic scenario. Company maintained steady growth in its overall performance by registering a net profit of AED 71.1 million during 2019.

The results appearing in the statement of financial position and statement of profit or loss illustrate the achievements which are summarized as below:

- Profit increased to AED 71,098,034 (2018: AED 55,010,090), an increase of 29.25 %.
- Net investment and other income increased to AED 27,657,438 (2018: AED 11,010,751), an increase of 151.19 %.
- Shareholders' equity increased to AED 391,473,146 (2018: AED 350,253,008), an increase of 11.77%.

Gross and net premium

The gross premium written for the year ended 31 December 2019 amounted to AED 323,786,185 (2018: AED 333,506,099), depicting a decrease of 2.91%;

The net retained premium for the year ended 31 December 2019 amounted to AED 87,924,794 (2018: AED 94,866,391), depicting a decrease of 7.32%.

Gross and net claims

The gross claims paid by the Company during the year amounted to AED 168,831,958 (2018: AED 186,938,744), depicting a decrease of 9.69%.

Net claims paid during the year amounted to AED 42,716,392 (2018: AED 53,414,421), depicting a decrease of 20.03%.

Technical provisions

The net technical provisions (excluding deferred acquisition costs and unearned commission income) at 31 December 2019 amounted to AED 101,297,258 (2018: AED 119,104,718).

The net technical provision for the current year is hence 115% of the retained premium (2018: 126%).

BOARD OF DIRECTORS REPORT
For the year ended 31 December 2019
(Continued)

Figures relating to Different classes of Insurance

	2019 *AED*	*2018* *AED*
Gross written premiums		
Marine	**62,235,279**	25,168,781
Other classes of business	**261,550,906**	308,337,318
Total	**323,786,185**	333,506,099
Gross paid claims		
Marine	**4,453,131**	10,891,032
Other classes of business	**164,378,827**	176,047,712
Total	**168,831,958**	186,938,744
Net technical provisions		
Marine	**5,455,721**	2,860,883
Other classes of business	**95,841,537**	116,243,835
Total	**101,297,258**	119,104,718

Investments:
The total investments including investment properties of the Company stand at AED 299,693,222 as at 31 December 2019 (2018: AED 339,822,782), showing a decrease of 11.81%. Decrease is attributable to the sale of low yielding bonds and restatement of building values as per IAS 40.

Net investment and other income during the year amounted to AED 27,657,438 (2018: AED 11,010,751), showing an increase of 151.19 %.

It is worth mentioning that most of the investments of company are within the U.A.E. The Company has no investments in United States of America or in Europe and all available cash are deposited in the banks within the U.A.E.

General, administrative and other operating expenses:
The general, administrative and other expenses for the year amounted to AED 45,031,839 (2018: AED 57,009,655), depicting a decrease of 21.01%.

Profits for the year
The profit of the Company from insurance and investment activities for the year under review is AED 71,098,034 (2018: AED 55,010,090), showing an increase of 29.25 %.

The Company's branches and offices
The Company has branches and point of sales in most residential areas and service centers in Abu Dhabi, Al Ain, Baniyas, Mussafah, and in the Traffic Department of Abu Dhabi in addition to branches in Dubai and Sharjah.

BOARD OF DIRECTORS REPORT
For the year ended 31 December 2019
(Continued)

Distribution of profit
The net profit for the year of AED 71,098,034 achieved by the Company with the retained profit from the previous years amounted to a distributable income of AED 106,249,453 (before Board of Directors remuneration). We recommend appropriation of the above profit as follows:

Details of appropriation:	*AED*
- To be distributed as cash dividend	40,000,000
- Board of Directors Remuneration	4,500,000
- To be carried forwarded to the subsequent year	61,749,453

Plan for the year 2020
Company will continue its efforts to achieve continuous growth in its profits results irrespective of the ongoing market conditions.

Recommendations of Board of Directors to Shareholders:
The Board of Directors is pleased to present the following recommendations to the Ordinary General Assembly of the Shareholders of the Company for their approval.

1. Listen to and approve the Board of Director's Report on the Company's activity and its financial position for the fiscal year ended 31/12/2019.
2. Listen to and approve the Auditor's Report for the fiscal year ended on 31/12/2019.
3. Discuss and approve the Company's balance sheet and profit and loss account for the fiscal year ended on 31/12/2019.
4. Consider the Board of Director's proposals concerning the distribution of profits by 40 % of the nominal value of the share as a cash dividend of AED 40 million. At 40 fils per share.
5. Approve a proposal concerning the remuneration of the members of the Board of Director's.
6. Discharge the members of the Board of Directors for the fiscal year ended on 31/12/2019, or remove them and file a liability action against them, as the case may be.
7. Discharge the auditors for the fiscal year ended 31/12/2019, or remove them and file a liability action against them, as the case may be.
8. Appoint the auditors for the year 2020 and determine their fees.

Conclusion:
The Board of Directors would like to praise Company's clients, reinsurance companies and brokers for their strong support and confidence in the Company and also the persistent efforts of the management and staff of the Company who did their best to serve the Company.

On behalf of the Board of Directors

Chairman

Al Dhafra Insurance Company (P.S.C)

FINANCIAL STATEMENTS

31 DECEMBER 2019

Building a better working world

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AL DHAFRA INSURANCE COMPANY (P.S.C)

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Al Dhafra Insurance Company P.S.C (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and 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 Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in the United Arab Emirates, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters
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 14 February 2019.

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 period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Report on the Audit of the Financial Statements continued

Key audit matters continued

(a) Estimates and judgements used in calculation of insurance contract provisions (refer to note 10 in the financial statements)

The measurement of insurance contract provisions, which includes the following, involves key judgements and estimates over uncertain future outcomes.

- Claims incurred but not reported - AED 61,124,793;
- Unexpired risk reserve (premium deficiency reserve) - AED 2,664,866; and
- Unallocated loss adjustment expense - AED 4,263,508.

The insurance contract provisions of the Company are calculated as documented in the financial statements disclosure under the section "use of estimates and judgements".

We obtained the report prepared by the independent actuary which was appointed by the Compnay. We involved our actuarial specialists to assist us in performing the audit procedures in this area, which included amongst others, review of methodology, data used as input, and estimates and judgements used in the Actuary's valuation. We also assessed the Actuary's independence, qualifications and expertise and read their terms of engagement to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations upon their work.

Further, we assessed the adequacy of the disclosures regarding these liabilities in the financial statements in accordance with International Financial Reporting Standards.

(b) Estimation of liability against outstanding claims (refer to note 10 in the financial statements)

The valuation of claim reserving incorporates a significant amount of estimates and judgements. It is reasonably possible that uncertainties inherent in the reserving process, delays in insureds or ceding companies reporting losses to the Company, litigations arising in the ordinary course of business, together with the potential for unforeseen adverse developments, could lead to the ultimate amount paid varying materially from the amount of AED 161,984,266 (note 10) estimated at the reporting date.

Certain matters, in particular those involving litigation are subject to many uncertainties and the outcome on timing of closure and outflow of economic resources may vary materially from the amount estimated at the reporting date. We understood, assessed and tested the design and operational effectiveness of key controls over the Company's reserving process, including the review and approval of the reserves and probability of outflow of economic resources and reliability of estimating such outflow. Further, we considered, on a sample basis, the review and results of internal claims department, external third party loss adjustors and internal and external legal counsel to assist us in assessing the reserves recorded by the Company.

(c) Revenue recognition (refer to notes 10 and 19 in the financial statements)

Gross written premium comprise the total premium receivable for the whole period of cover by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of net retained premiums is provided for as an unearned premium reserve to cover portions of risk that have not expired at the reporting date. The reserve is required to be calculated in accordance with the requirements of the UAE Insurance Law relating to insurance companies.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AL DHAFRA INSURANCE COMPANY (P.S.C) continued

Report on the Audit of the Financial Statements continued

Key audit matters continued
(c) Revenue recognition (continued)

We assessed management's calculation of gross premiums written amounting to AED 323,786,185 and net unearned premium reserve amounting to AED 39,891,929 (note 10) by performing audit procedures, which included among others:

- We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premium on policies are accounted for on the date of inception of policies, by testing a sample of revenue items to policy contracts.
- We evaluated and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period.
- We compared the unearned premium reserve balance as per the financial statements to the reserve balance computed by the Company's actuary.
- We recalculated on a sample basis the unearned premium reserve based on the earning period of policy contracts existing as of 31 December 2019.

Other information
Other information consists of the information included in the Annual Report and Board of Directors Report, other than the financial statements and our auditor's report thereon. We obtained the Board of Directors Report prior to the date of our audit report, and we expect to obtain the sections of the Annual Report after the date of our auditor's opinion. Management is responsible for the other information.

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

Responsibilities of management and those charged with governance for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and in compliance with the applicable provisions of the Company's Article of Association, UAE Federal Law No. (2) of 2015, the 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.

Report on the Audit of the Financial Statements continued

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF AL DHAFRA INSURANCE COMPANY (P.S.C) continued

Report on Other Legal and Regulatory Requirements

We report that:

i) we have obtained all the information and explanations 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, the UAE Federal Law No. (6) of 2007 and the Articles of Association of the Company;

iii) the Company has maintained proper books of account;

iv) the financial information included in the Board of Directors' Report is consistent with the books of account and records of the Company;

v) investments in shares and stocks are included in notes 7 and 8 to the financial statements and include purchases and investments made by the Company during the year ended 31 December 2019;

vi) note 12 reflects the disclosures relating to related party transactions and the terms under which they were conducted; and

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 contravened, during the financial year ended 31 December 2019, any of the applicable provisions of the UAE Federal Law No. (2) of 2015, the UAE Federal Law No. (6) of 2007, or of its Articles of Association which would materially affect its activities or its financial position as at 31 December 2019.

Signed by:
Raed Ahmad
Partner
Ernst & Young
Registration No 811

17 February 2020
Abu Dhabi

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 AED	31 December 2018 AED (Restated)	1 January 2018 AED (Restated)
ASSETS				
Property and equipment	3	**1,985,244**	1,164,938	820,042
Intangible assets	4	**1,253,615**	1,094,032	1,369,193
Right-of-use-assets	2.2	**8,101,123**	-	-
Investment properties	5	**65,812,225**	65,812,225	73,006,713
Statutory deposits	6	**9,980,000**	9,980,000	10,000,000
Deferred acquisition costs		**15,510,242**	16,974,659	21,608,489
Investment at amortised cost		**-**	-	8,002,739
Investments carried at fair value through other comprehensive income	7	**190,053,996**	184,350,390	177,652,331
Investments carried at fair value through profit or loss	8	**43,826,999**	89,660,167	92,469,307
Insurance balances receivable	9	**116,875,552**	99,655,968	94,746,037
Reinsurer's share of unearned premium reserve	10	**98,900,552**	109,448,851	123,738,416
Reinsurer's share of outstanding claims reserve	10	**130,648,879**	121,623,619	132,706,318
Reinsurer's share of claims incurred but not reported reserve	10	**37,391,660**	43,723,777	55,237,187
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	10	**591,565**	117,750	-
Prepayments and other receivables	9	**6,110,522**	7,541,755	6,803,270
Deposits	11	**104,367,554**	224,722,456	239,575,886
Bank balances and cash	11	**193,071,447**	17,046,449	13,992,712
TOTAL ASSETS		**1,024,481,175**	992,917,036	1,051,728,640
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	13	**100,000,000**	100,000,000	100,000,000
Legal reserve	14	**50,000,000**	50,000,000	50,000,000
General reserve	14	**145,000,000**	145,000,000	145,000,000
Investment revaluation reserve	14	**(5,276,307)**	(9,603,042)	(14,749,417)
Retained earnings		**101,749,453**	64,856,050	44,845,960
Total equity		**391,473,146**	350,253,008	325,096,543
LIABILITIES				
Employees' end of service benefits	15	**7,915,825**	7,548,873	7,101,840
Insurance payables	16	**193,864,669**	187,103,539	197,364,274
Other payables	16	**29,988,056**	26,013,028	25,723,868
Lease liabilities	2.2	**7,669,571**	-	-
Unearned commission income		**24,739,994**	27,979,873	28,869,688
Technical provisions				
Unearned premium reserve	10	**138,792,481**	154,623,506	179,867,116
Outstanding claims reserve	10	**161,984,266**	166,064,796	198,669,217
Claims incurred but not reported reserve	10	**61,124,793**	68,791,467	83,690,344
Unallocated loss adjustment expense reserve	10	**4,263,508**	4,421,196	5,291,886
Unexpired risk reserve (premium deficiency reserve)	10	**2,664,866**	117,750	53,864
TOTAL LIABILITIES		**633,008,029**	642,664,028	726,632,097
TOTAL EQUITY AND LIABILITIES		**1,024,481,175**	992,917,036	1,051,728,640

AL DHAFRA INSURANCE CO. P.S.C.-FAD 1 * ABU DHABI *

Assistant General Manager - Finance | General Manager | Chairman

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF INCOME
For the year ended 31 December 2019

	Notes	*2019 AED*	*2018 AED (Restated)*
Gross premiums written	19	**323,786,185**	333,506,099
Reinsurance premium ceded	19	**(235,861,391)**	(238,639,708)
Net premium	19	**87,924,794**	94,866,391
Change in net unearned premium reserve		**3,209,425**	11,007,909
Net premium earned		**91,134,219**	105,874,300
Commission earned		**62,445,212**	65,404,378
Commission incurred		**(36,988,639)**	(42,633,142)
Gross underwriting income		**116,590,792**	128,645,536
Gross claims paid	20	**(168,831,958)**	(186,938,744)
Reinsurance share of claims paid	20	**126,115,566**	133,524,323
Net claims paid	20	**(42,716,392)**	(53,414,421)
Change in gross outstanding claims reserve		**4,080,530**	32,604,421
Change in reinsurance share of outstanding claims reverse		**9,025,260**	(11,082,699)
Change in net incurred but not reported claims reserve		**1,334,557**	3,385,467
Change in unallocated loss adjustment expense reserve		**157,688**	870,690
Net claims incurred		**(28,118,357)**	(27,636,542)
Underwriting income		**88,472,435**	101,008,994
Other income relating to underwriting		**1,674,914**	952,119
General and administrative expenses relating to underwriting	22	**(4,887,936)**	(3,205,832)
Net underwriting income		**85,259,413**	98,755,281
Income from investments	21	**23,668,549**	7,118,120
Income from investment properties (rental income)	5	**2,290,808**	2,906,978
Other income		**23,167**	33,534
Total income		**111,241,937**	108,813,913
General and administrative expenses	22	**(39,767,637)**	(53,803,823)
Finance cost	2.2	**(376,266)**	-
PROFIT FOR THE YEAR	17	**71,098,034**	55,010,090
Basic and diluted earnings per share	18	**0.71**	0.55

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	2019 AED	2018 AED (Restated)
Profit for the year		**71,098,034**	55,010,090
Other comprehensive income			
Items that will not be reclassified to statement of income:			
Change in fair value relating to investments carried at fair value through other comprehensive income	7	**5,122,104**	5,146,375
Other comprehensive income for the year		**5,122,104**	5,146,375
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**76,220,138**	60,156,465

The attached notes 1 to 28 form 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*	*Investment revaluation reserve AED*	*Retained earnings AED*	*Total equity AED*
At 1 January 2018 (as previously stated)	100,000,000	50,000,000	145,000,000	(14,749,417)	56,865,583	337,116,166
Effect of prior year adjustment (note 28)	-	-	-	-	(12,019,623)	(12,019,623)
At 1 January 2018 (restated)	100,000,000	50,000,000	145,000,000	(14,749,417)	44,845,960	325,096,543
Profit for the year (restated)	-	-	-	-	55,010,090	55,010,090
Other comprehensive income for the year	-	-	-	5,146,375	-	5,146,375
Total comprehensive income for the year	-	-	-	5,146,375	55,010,090	60,156,465
Dividends declared and paid (note 13)	-	-	-	-	(35,000,000)	(35,000,000)
At 31 December 2018 (restated)	100,000,000	50,000,000	145,000,000	(9,603,042)	64,856,050	350,253,008
At 1 January 2019	100,000,000	50,000,000	145,000,000	(9,603,042)	64,856,050	350,253,008
Profit for the year	-	-	-	-	71,098,034	71,098,034
Other comprehensive income for the year	-	-	-	5,122,104	-	5,122,104
Total comprehensive income for the year	-	-	-	5,122,104	71,098,034	76,220,138
Transfer to retained earnings on disposal of investments carried at fair value through other comprehensive income	-	-	-	(795,369)	795,369	-
Dividends declared and paid (note 13)	-	-	-	-	(35,000,000)	(35,000,000)
At 31 December 2019	**100,000,000**	**50,000,000**	**145,000,000**	**(5,276,307)**	**101,749,453**	**391,473,146**

The attached notes 1 to 28 form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	2019 AED	2018 AED (Restated)
OPERATING ACTIVITIES			
Profit for the year		**71,098,034**	55,010,090
Adjustments for:			
Unearned premiums reserve, net		**(3,209,425)**	(11,007,909)
Change in gross outstanding claims and claims incurred but not reported reserves		**(11,904,892)**	(48,373,988)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		**(2,693,143)**	22,596,109
Impairment of insurance receivable	22	**-**	16,473,741
Change in fair value of investments carried at fair value through profit or loss	8 & 21	**(1,095,013)**	6,847,123
Change in fair value of investments properties	5 & 21	**-**	7,194,488
Gain on sale of investments carried at fair value through profit or loss	21	**(1,502,289)**	(298,139)
Provision for employees' end of service benefits	15	**553,404**	698,002
Depreciation of property and equipment and right-of-use asset	22	**2,010,646**	504,757
Amortisation of intangible assets	4 & 22	**521,722**	810,692
Gain on disposal of property and equipment		**(23,167)**	(27,085)
Finance cost	2.2	**376,266**	-
Dividend income	21	**(10,636,145)**	(12,082,459)
Interest income	21	**(10,459,200)**	(9,218,599)
		33,036,798	29,126,823
Working capital changes:			
Insurance receivable, other receivables and prepayments		**(16,286,210)**	(21,709,938)
Insurance and other payables		**10,736,158**	(9,971,575)
Deferred acquisition costs		**1,464,417**	4,633,830
Unearned commission income		**(3,239,879)**	(889,815)
Cash from operations		**25,711,284**	1,189,325
Employees' end of service benefits paid	15	**(186,452)**	(250,969)
Net cash from operating activities		**25,524,832**	938,356
INVESTING ACTIVITIES			
Purchase of property and equipment	3	**(1,460,367)**	(856,102)
Purchase of intangible assets	4	**(681,305)**	(535,531)
Purchase of investments carried at fair value through profit or loss		**(90,058)**	(20,630,704)
Proceeds from disposal of investment carried at fair value through profit and loss		**48,520,528**	24,893,599
Purchase of investments carried at fair value through other comprehensive income		**(581,502)**	(1,551,684)
Proceeds from disposal of property and equipment		**23,167**	33,535
Movement in term deposits		**120,354,902**	14,461,210
Interest received		**10,459,200**	9,218,599
Dividends received		**10,636,145**	12,082,459
Net cash from investing activities		**187,180,710**	37,115,381
FINANCING ACTIVITIES			
Dividend paid	13	**(35,000,000)**	(35,000,000)
Lease liability instalment paid	2.2	**(1,680,544)**	-
Net cash used in financing activities		**(36,680,544)**	(35,000,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**176,024,998**	3,053,737
Cash and cash equivalents at the beginning of the year		**17,046,449**	13,992,712
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	11	**193,071,447**	17,046,449

The attached notes 1 to 28 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Dhafra Insurance Company P.S.C. (the "Company"), is a public shareholding company incorporated in Abu Dhabi by Emiri Decree No. 8 of 1979.

The Company's ordinary shares are listed on the Abu Dhabi Securities Exchange.

The Company is engaged in insurance and reinsurance of all classes of business with the exception of endowments and annuities. The Company is domiciled in the United Arab Emirates and its registered office address is P.O. Box 319, Abu Dhabi, United Arab Emirates.

The financial statements of the Company for the year ended 31 December 2019 have been authorised for issuance in accordance with a resolution of the Board of Directors on 11 February 2020.

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention as modified for investment properties and certain financial instruments that are measured at fair values as at the end of each reporting date.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the Federal Law No. (2) of 2015 Concerning the Commercial Companies which has come into effect from 1 July 2015 and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional currency of the Company.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement of assets and liabilities within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 24.

2.2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new standards, interpretations and amendments effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

- IFRS 16 Leases
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

Annual improvements 2015-2017 cycle
- IFRS 3 Business Combinations
- IFRS 11 Joint Arrangements
- IAS 12 Income Taxes
- IAS 23 Borrowing Costs

The Company applies, for the first time, IFRS 16 Leases. The nature and effect of these changes are disclosed below. The other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company.

2.2 CHANGES IN ACCOUNTING POLICIES continued

Impact on adoption of IFRS 16

IFRS 16 supersedes 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 Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Company is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

The effect of adoption IFRS 16 as at 1 January 2019 is as follows:

	AED
Assets	
Right-of-use assets	**9,471,708**
Prepayments	**(497,859)**
Total assets	**8,973,849**
Liabilities	
Lease liabilities	**8,973,849**
Total liabilities	**8,973,849**
Total adjustment on equity:	
Retained earnings	-
Non-controlling interests	-
	-

Nature of the effect of adoption of IFRS 16

The Company has various lease contracts, where prior to the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as an operating lease. The leased asset was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under 'trade and other receivables' and 'trade and other payables' respectively. Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

2.2 CHANGES IN ACCOUNTING POLICIES continued

Nature of the effect of adoption of IFRS 16 continued
The Company also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application;
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application;
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

Operating lease commitments as at 31 December 2018 (AED)	**10,744,414**
Incremental borrowing rate as at 1 January 2019	**5%**
Discounted operating lease commitments at 1 January 2019 (AED)	**8,973,849**
Adjustment of commitments relating to leases of low value assets (AED)	-
Lease liabilities as at 1 January 2019 (AED)	**8,973,849**

Amounts recognised in the statement of financial position and statement of income
Set out below, are the carrying amounts of the Company's right-of-use asset and lease liabilities and the movements during the period:

	Right-of-use (offices) AED	*Lease liabilities AED*
As at 1 January 2019	**9,471,708**	**8,973,849**
Depreciation expense	**(1,370,585)**	-
Interest expense	-	**376,266**
Payments	-	**(1,680,544)**
As at 31 December 2019	**8,101,123**	**7,669,571**

Lease liabilities is analysed in the statement of financial position as follows:

	2019 AED	*2018 AED*
Current	**2,348,198**	-
Non-current	**5,321,373**	-
Total	**7,669,571**	-

The following are the amounts recognised in the statement of income:

	31 December 2019 AED
Depreciation expense of right-of-use assets	**1,370,585**
Interest expense on lease liabilities	**376,266**
Total	**1,746,851**

2.3 SIGNIFICANT ACCOUNTING POLICIES

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

a) Financial assets at amortised cost (debt instruments, cash and cash equivalents and trade receivables)
b) Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
c) Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
d) Financial assets at fair value through profit or loss

Cash and cash equivalents

Cash and cash equivalents which include cash on hand, cash at banks and deposits held at call with banks with original maturities of three months or less, are classified as financial assets at amortised cost.

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through OCI

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets continued
Financial assets at fair value through profit or loss continued
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of income.

This category includes listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of income when the right of payment has been established.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets measured at amortised cost, lease receivables, insurance receivables, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at the end of each reporting period to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For insurance receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 240 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Receivables and payables related to insurance contracts
Receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration receivable/payable. Subsequent to initial recognition, insurance receivables and payables are measured at amortised cost, using the Effective Interest Rate ("EIR") method. These include amounts due to and from agents, brokers and insurance contract holders. If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit or loss.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

a) There is a currently enforceable legal right to offset the recognised amounts; and
b) There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value measurement
The Company measures financial instruments, such as investments carried at fair value through other comprehensive income and investments carried at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 25.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Fair value measurement continued
The management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Impairment of non-financial assets
The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded securities or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets' or cash-generating units' recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of income.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment, annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating units, to which the goodwill is allocated. Where the recoverable amount of the cash-generating units is less than their carrying amount an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Insurance contracts
Classification
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.

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 occurrence of the insured event as compared to the non - occurrence. 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contracts continued

Premiums

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium reserve

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premium reserve is calculated as follows

- For marine cargo line of business, it is assumed that each policy is earned fully in the quarter following the quarter in which it was written. Hence the total unearned premium reserve at the end of a particular quarter will be equal to the written premium in that quarter;
- For engineering line of business, it is assumed that the pattern of risk is non-uniform, and accordingly, premiums are allocated and earned on a daily increasing basis over the term of policy period. The unearned premium reserve is calculated as the sum of earned premiums across all months after the valuation date; and
- For the remaining lines of businesses, the premiums are assumed to be earned evenly over time and the unearned premium reserve is calculated on a daily pro rata basis.

The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unexpired risk reserve

Unexpired risk reserve represent the portion of the premium subsequent to the reporting date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

Provision for premium deficiency / liability adequacy test

Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position 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. This reserve is recorded under the heading of unearned premium reserve in the financial statements.

Claims

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 expenses 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.

Reinsurance

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.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Insurance contracts continued
Reinsurance continued
Reinsurance assets are assessed for impairment at each statement of financial position date. 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 income in the period in which they are incurred.

Deferred acquisition cost and Unearned commission income
At the end of each reporting period, portion of commission income and portion of commission expenses related to underwriting activities are deferred to cover for unexpired risks. The reserves are calculated on a time-proportion basis over the effective period of the policy.

Insurance contract liabilities
Insurance contract liabilities include claims incurred but not reported (IBNR), claims incurred but not enough reported (IBNER), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for unallocated loss adjustment expenses (ULAE).

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the reporting date, in addition for claims incurred but not reported.

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. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

The liability relating to IBNR, IBNER, ULAE and PDR reserve is calculated at the reporting date 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 liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

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

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

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Leases continued

Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of property and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short- term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Finance cost

Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	4 years
Motor vehicles	3 years
Computer equipment and accessories	5 years
Building	25 years

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Intangible assets
Intangible assets acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes purchase cost, together with any incidental expenses of acquisition. The amortisation charge is calculated so as to write off the cost of the intangible asset on a straight-line basis over the expected useful economic life of 6 years. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period with the effect of any changes in estimation accounted for on a prospective basis.

Investment properties
Investment properties are properties held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at fair value with any change therein recognised in operating income in the statement of income. When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting. The Company holds investment properties which are disclosed in note 5.

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

Rental income
Rental income from investment properties is recognised on a straight-line basis over the term of the lease and is stated net of related expenses.

Interest income
Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income
Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income
Interest income is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realised and unrealised gain
Net gains/losses on financial assets classified at fair value through profit or loss and fair value through other comprehensive income are described under the accounting policy for financial assets and liabilities.

Foreign currency
Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the statement of financial position date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rate ruling at the date of the transaction. Realised and unrealised exchange gains and losses have been dealt with in the statement of income.

Provisions
A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate, that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

2.3 SIGNIFICANT ACCOUNTING POLICIES continued

Staff end of service benefits
Defined benefit plan
The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

Defined contribution plan
The Company pays its obligations for UAE citizens into a Social Security and UAE Pension Fund in accordance with the Federal Law No. (7) of 1999 for Pension and Social Security.

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

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect in the amounts recognised in the financial statements.

Classification of investments
Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, Management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Classification of properties
In the process of classifying properties, management has made various judgments. Judgment is needed to determine whether a property qualifies as an investment property, property, plant and equipment and/or property held for resale. The Company develops criteria so that it can exercise that judgment consistently in accordance with the definitions of investment property, property, plant and equipment and property held for resale. In making its judgment, management considered the detailed criteria and related guidance for the classification of properties as set out in IAS 2 *Inventories*, IAS 16 *Property, Plant and Equipment* and IAS 40 *Investment Property*, and in particular, the intended usage of property as determined by management.

Fair value of financial instruments
Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Determining the lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Estimation uncertainty
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Liability adequacy test
The Company maintains a provision in respect of premium deficiency for the line of business where the unearned premium liability is not adequate to meet the expected future liability, after reinsurance, from claims and other supplementary expenses expected to be incurred after the reporting date in respect of the unexpired policies in that line of business at the reporting date. 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. The movement in the premium deficiency reserve (unexpired risk reserve) is recorded as an expense / income in profit or loss for the year.

Leases - estimating the incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provision for expected credit losses of insurance receivables
The Company uses a provision matrix to calculate ECLs for insurance receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating etc.).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross insurance receivables were AED 140,801,552 (2018: AED 124,480,012) and the provision for expected credit losses was AED 23,926,000 (2018: AED 24,824,044). Any difference between the amounts actually collected in future periods and the amounts expected to be received will be recognised in the statement of income.

Provision for unearned premium reserve and unexpired risk reserve
Unearned premium reserves includes premium deficiency reserve (PDR) and unexpired risk reserve (URR) which are estimated 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 carrying value at the reporting date of UPR, PDR and URR reserve (net of related reinsurance asset) is AED 41,965,230 (2018: AED 45,174,655).

Provision for incurred but not reported claims (IBNR)
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 carrying value at the reporting date of IBNR reserve (net of related reinsurance asset) is AED 23,733,133 (2018: AED 25,067,690).

2.4 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Judgements continued

Provision for outstanding claims

Provision for outstanding claims include provision for ULAE reserves. Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience and / or loss adjustor reports. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims. ULAE reserves are estimated 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 carrying value at the reporting date of provision for outstanding claims (net of related reinsurance assets including ULAE reserves) is AED 35,598,895 (2018: AED 48,862,373).

Reinsurance

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

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on Discounted Cash Flow (DCF) and Investment Method of Valuation. The Investment method analyses potential rental income from the property and deducts the expenses incurred in the operation of the asset. The net rental income is then capitalised at market standards to arrive at Fair Value. The DCF method calculates the net.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised. There was no change in fair value recognised in the statement of income for the year (2018: decrease of AED 7,194,487).

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2019, with the Company not opting for early adoption. These have, therefore, not been applied in preparing these financial statements.

IFRS 17 *Insurance Contracts*

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company plans to adopt the standard on the required effective date and is in the process of evaluating the potential impact on the financial statements.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE continued

IFRS 3 *Definition of a Business (Amendments)*
The IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.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. They 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'.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Consequently, entities do not have to revisit such transactions that occurred in prior periods. Earlier application is permitted and must be disclosed. The amendments are not applicable to the Company.

IFRS 9/IFRS 7/IAS 39 *Interest rate benchmark reforms (Amendments)*
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The amendments include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

The amendments must be applied retrospectively on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. However, any hedge relationships that have previously been de-designated cannot be reinstated upon application, nor can any hedge relationships be designated with the benefit of hindsight. Early application is permitted and must be disclosed. Since the Company does not have joint arrangements, the amendments have no impact on its financial statements.

IAS 1/ IAS 8 *Definition of Material (Amendments)*
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition. 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.'

IAS 1/ IAS 8 *Definition of Material (Amendments)* continued
The amendments must be applied prospectively on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is permitted and must be disclosed.

IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)
The amendments address the conflict between IFRS 10 Consolidated Financial Statements and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in IFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

The amendments must be applied prospectively on or after the beginning of the first annual reporting period beginning on or after 1 January 2020. Early application is permitted and must be disclosed. The amendments are not applicable to the Company.

3 PROPERTY AND EQUIPMENT

	Furniture and fittings AED	*Motor Vehicle AED*	*Computer equipment and accessories AED*	*Total AED*
Cost:				
At 1 January 2019	2,852,892	862,100	2,376,976	6,091,968
Additions	206,068	588,233	666,066	1,460,367
Disposals	(63,095)	(48,900)	(124,653)	(236,648)
At 31 December 2019	**2,995,865**	**1,401,433**	**2,918,389**	**7,315,687**
Accumulated depreciation:				
At 1 January 2019	2,630,865	741,032	1,555,133	4,927,030
Charge for the year	193,580	74,957	371,524	640,061
Relating to disposals	(63,095)	(48,900)	(124,653)	(236,648)
At 31 December 2019	**2,761,350**	**767,089**	**1,802,004**	**5,330,443**
Carrying amount:				
At 31 December 2019	**234,515**	**634,344**	**1,116,385**	**1,985,244**
Cost:				
At 1 January 2018	2,777,799	1,124,400	2,469,923	6,372,122
Additions	297,439	134,700	423,963	856,102
Relating to disposals	(222,346)	(397,000)	(516,910)	(1,136,256)
At 31 December 2018	2,852,892	862,100	2,376,976	6,091,968
Accumulated depreciation:				
At 1 January 2018	2,630,573	1,108,466	1,813,041	5,552,080
Charge for the year	216,189	29,566	259,002	504,757
Disposals	(215,897)	(397,000)	(516,910)	(1,129,807)
At 31 December 2018	2,630,865	741,032	1,555,133	4,927,030
Carrying amount:				
At 31 December 2018	222,027	121,068	821,843	1,164,938

4 INTANGIBLE ASSETS

	Computer software	
	2019 AED	*2018 AED*
Cost		
At 1 January	**7,318,653**	9,055,934
Additions	**681,305**	535,531
Disposal	**(1,449,601)**	(2,272,812)
At 31 December	**6,550,357**	7,318,653
Accumulated amortisation		
At 1 January	**6,224,621**	7,686,741
amortisation for the year	**521,722**	810,692
Relating to disposal	**(1,449,601)**	(2,272,812)
At 31 December	**5,296,742**	6,224,621
Carrying amount:		
At 31 December	**1,253,615**	1,094,032

5 INVESTMENT PROPERTIES

	Abu Dhabi land and building AED	*Al Ain land and building AED*	*Total AED*
At 1 January 2018 (as previously stated)	67,750,000	13,850,000	81,600,000
Effect of prior year adjustment (note 28)	(5,677,558)	(2,915,729)	(8,593,287)
At 1 January 2018 (restated)	62,072,442	10,934,271	73,006,713
Change in fair value (note 21)	(6,982,762)	(211,726)	(7,194,488)
At 31 December 2018	55,089,680	10,722,545	65,812,225
At 1 January 2019	**55,089,680**	**10,722,545**	**65,812,225**
Change in fair value (note 21)	-	-	-
At 31 December 2019	**55,089,680**	**10,722,545**	**65,812,225**

The plots of land in Abu Dhabi and Al Ain on which investment properties are constructed were awarded to the Company free of cost by the Executive Council of the Government of Abu Dhabi on 21 June 1981 and 27 August 1983, respectively.

The fair value of the Company's investment properties as at 31 December 2019 and 2018 has been arrived by management by reference to valuation carried out on the respective dates by an independent valuer not related to the Company. The independent valuer has appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of investment properties is determined using market based approach and discounted cash flow (DCF) model

Market based approach considers recent market transactions for similar assets or quotes / bid prices for same or similar assets.

DCF considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.factors specific to the respective properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table shows the analysis of assets recorded at fair value by level of the fair value hierarchy for the year ended 31 December:

	Level 1 AED	***Level 2 AED***	***Level 3 AED***	***Total AED***
31 December 2019				
Investment properties	-	**38,000,000**	**27,812,225**	**65,812,225**
31 December 2018				
Investment properties	-	38,889,600	26,922,625	65,812,225

5 INVESTMENT PROPERTIES continued

There were no transfers between Level 1, Level 2 and Level 3 during current and previous year.

Following is the summary of valuation techniques and inputs used in the valuation of investment properties:

Property	Valuation technique	Significant unobservable inputs
Abu Dhabi and Al Ain buildings	Discounted cash flow (DCF)	Estimated rental value per annum, taking into account the differences in location, and individual factors, such as frontage and size, between the comparable and the property, as follows: • Abu Dhabi property AED 5,022,000; and • Al Ain property AED 1,004,400. Discount rate, taking into consideration the risk premium between prime and sub-prime properties and the capacity to earn rentals, range from 6% to 10%.

The property rental income earned by the Company from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2019 ***AED***	*2018* *AED*
Rental income	**3,093,575**	3,537,517
Direct operating expenses	**(802,767)**	(630,539)
	2,290,808	2,906,978

There are no restrictions on the realisability of investment properties. The Company has no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements

6 STATUTORY DEPOSITS

In accordance with the requirements of Federal Law No. (6) of 2007, concerning the formation of Insurance Authority of UAE, the Company maintains the below deposit which cannot be utilized without the consent of the UAE Insurance Authority.

	2019 ***AED***	*2018* *AED*
Statutory deposit	**10,000,000**	10,000,000
Expected credit losses	**(20,000)**	(20,000)
	9,980,000	9,980,000

7 INVESTMENTS CARRIED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019 AED	2018 AED
Quoted UAE equity securities	**190,053,996**	184,350,390

The movement in the investments at fair value through other comprehensive income is as follows:

	2019 AED	2018 AED
Fair value at 1 January	**184,350,390**	177,652,331
Additions	**5,124,729**	1,551,684
Disposals	**(4,543,227)**	-
Change in fair value	**5,122,104**	5,146,375
Fair value at 31 December	**190,053,996**	184,350,390

8 INVESTMENTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 AED	2018 AED
Quoted debt securities	**16,674,536**	62,942,404
Quoted UAE equity securities	**19,149,724**	18,715,024
Unquoted equity security	**8,002,739**	8,002,739
	43,826,999	89,660,167

The movement in investments at fair value through profit or loss is as follows:

	2019 AED	2018 AED
Fair value at 1 January	**89,660,167**	92,469,307
Additions	**591,966**	20,630,704
Disposals	**(47,520,147)**	(24,595,460)
Transfer	**-**	8,002,739
Change in fair value (note 21)	**1,095,013**	(6,847,123)
Fair value at 31 December	**43,826,999**	89,660,167

9 INSURANCE BALANCES RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES

	2019 *AED*	*2018* *AED*
Due from policy holders	**108,655,872**	101,305,693
Due from policy holders - related parties (note 12)	**137,393**	549,162
Due from reinsurance companies	**5,678,701**	4,149,422
Due from insurance companies, broker and agents	**26,329,586**	18,475,735
	140,801,552	124,480,012
Less: allowance for impairment	**(23,926,000)**	(24,824,044)
Insurance balances receivable	**116,875,552**	99,655,968
Prepayments	**1,170,645**	1,757,917
Interest receivables	**2,359,468**	3,399,514
Other receivables	**2,580,409**	2,384,324
Prepayments and other receivables	**6,110,522**	7,541,755
	122,986,074	107,197,723

Receivables at nominal value of AED 23,926,000 (2018: AED 24,824,044) were impaired.

The movement in the allowance for impaired receivables is as follows:

	2019 *AED*	*2018* *AED*
At 1 January	**24,824,044**	11,987,805
Charge for the year	-	17,469,374
Amount reversed	-	(995,633)
Amount written off	**(898,044)**	(3,637,502)
At 31 December	**23,926,000**	24,824,044

The average credit period on due from policy holders is 90 to 180 days. No interest is charged and no collateral is taken on trade and other receivables.

As at 31 December, the ageing of insurance balances receivable is as follows:

	Total *AED*	*0-180 days* *AED*	*180-240 days* *AED*	*> 240 days* *AED*
31 December 2019				
Expected credit loss rate		**3.58%**	**4.03%**	**46.36%**
Estimated total gross carrying amount at default	**140,801,552**	**83,209,878**	**13,591,892**	**43,999,782**
Expected credit loss	**23,926,000**	**2,979,173**	**547,524**	**20,399,303**
31 December 2018				
Expected credit loss rate		3.34%	14.31%	57.22%
Estimated total gross carrying amount at default	124,480,012	69,172,110	21,288,082	34,019,820
Expected credit loss	24,824,044	2,311,829	3,045,568	19,466,647

9 INSURANCE BALANCES RECEIVABLES, PREPAYMENT AND OTHER RECEIVABLES continued

Geographical concentration of insurance balances receivable and its ageing are as follows:

	31 December 2019			*31 December 2018*		
	Inside UAE AED	*Outside UAE AED*	*Total AED*	*Inside UAE AED*	*Outside UAE AED*	*Total AED*
Due from policy holders	**108,655,872**	**-**	**108,655,872**	100,600,020	705,673	101,305,693
Due from policy holders - related parties	**137,393**	**-**	**137,393**	549,162	-	549,162
Due from reinsurance companies	**1,990,729**	**3,687,972**	**5,678,701**	1,664,311	2,485,111	4,149,422
Due from insurance companies, broker and agents	**25,145,898**	**1,183,688**	**26,329,586**	17,674,916	800,819	18,475,735
	135,929,892	**4,871,660**	**140,801,552**	120,488,409	3,991,603	124,480,012
Less: allowance for impairment	**(23,926,000)**	**-**	**(23,926,000)**	(24,824,044)	-	(24,824,044)
Net insurance balances receivable	**112,003,892**	**4,871,660**	**116,875,552**	95,664,365	3,991,603	99,655,968

	31 December 2019			*31 December 2018*		
	Inside UAE AED	*Outside UAE AED*	*Total AED*	*Inside UAE AED*	*Outside UAE AED*	*Total AED*
0 to 180 days	**54,769,057**	**1,236,288**	**56,005,345**	49,452,927	278,833	49,731,760
181 to 365 days	**31,866,066**	**1,197,703**	**33,063,769**	37,146,075	1,015,719	38,161,794
More than 365 days	**49,294,769**	**2,437,669**	**51,732,438**	33,889,407	2,697,051	36,586,458
	135,929,892	**4,871,660**	**140,801,552**	120,488,409	3,991,603	124,480,012
Less: allowance for impairment	**(23,926,000)**	**-**	**(23,926,000)**	(24,824,044)	-	(24,824,044)
Net insurance balances receivable	**112,003,892**	**4,871,660**	**116,875,552**	95,664,365	3,991,603	99,655,968

10 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

Gross outstanding claims reserve, claims incurred but not reported reserve, unearned premiums reserve, and related reinsurers' share are as follows:

	2019 AED	*2018 AED*
Insurance contract liabilities - gross		
Outstanding claims reserve	**161,984,266**	166,064,796
Claims incurred but not reported reserve	**61,124,793**	68,791,467
Unearned premiums reserve	**138,792,481**	154,623,506
Unallocated loss adjustment expense reserve	**4,263,508**	4,421,196
Unexpired risk reserve (premium deficiency reserve)	**2,664,866**	117,750
	368,829,914	394,018,715
Reinsurance contract assets		
Outstanding claims reserve	**130,648,879**	121,623,619
Claims incurred but not reported reserve	**37,391,660**	43,723,777
Unearned premiums reserve	**98,900,552**	109,448,851
Unexpired risk reserve (premium deficiency reserve)	**591,565**	117,750
	267,532,656	274,913,997
Insurance liabilities - net		
Outstanding claims reserve	**31,335,387**	44,441,177
Claims incurred but not reported reserve	**23,733,133**	25,067,690
Unearned premiums reserve	**39,891,929**	45,174,655
Unallocated loss adjustment expense reserve	**4,263,508**	4,421,196
Unexpired risk reserve (premium deficiency reserve)	**2,073,301**	-
	101,297,258	119,104,718

10 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS continued

The reserves are allocated to the lines of business as follows:

	Outstanding claims reserve AED	*Claims incurred but not reported reserve AED*	*Unearned premiums reserve AED*	*Unallocated loss adjustment expense reserve AED*	*Unexpired risk reserve AED*	*Total AED*
31 December 2019 (gross)						
Motor	**59,175,303**	**28,606,269**	**67,312,780**	**1,745,817**	**-**	**156,840,169**
Fire	**44,181,147**	**9,394,655**	**15,145,141**	**944,557**	**-**	**69,665,500**
Medical	**8,655,232**	**5,924,369**	**17,394,357**	**307,560**	**2,383,291**	**34,664,809**
Engineering	**14,984,403**	**4,548,333**	**17,239,509**	**361,216**	**-**	**37,133,461**
Marine	**26,189,815**	**8,626,494**	**17,474,795**	**651,642**	**175,596**	**53,118,342**
Workman compensation and third-party liability	**5,154,612**	**2,771,781**	**3,434,305**	**160,473**	**-**	**11,521,171**
Other lines of business	**3,643,754**	**1,252,892**	**791,594**	**92,243**	**105,979**	**5,886,462**
	161,984,266	**61,124,793**	**138,792,481**	**4,263,508**	**2,664,866**	**368,829,914**
31 December 2018 (gross)						
Motor	79,885,308	38,285,724	83,969,351	2,346,851	-	204,487,234
Fire	30,163,486	8,308,338	12,953,160	701,702	96,038	52,222,724
Medical	11,214,841	7,744,524	21,519,612	267,038	-	40,746,015
Engineering	19,662,892	7,267,209	22,106,396	512,960	-	49,549,457
Marine	15,788,920	3,731,743	8,924,800	348,786	-	28,794,249
Workman compensation and third-party liability	5,373,513	2,319,964	4,460,097	150,202		12,303,776
Other lines of business	3,975,836	1,133,965	690,090	93,657	21,712	5,915,260
	166,064,796	68,791,467	154,623,506	4,421,196	117,750	394,018,715

Movement in the insurance contract liabilities and reinsurance contract assets during the year are as follows:

	31 December 2019			*31 December 2018*		
	Gross AED	***Reinsurance AED***	***Net AED***	*Gross AED*	*Reinsurance AED*	*Net AED*
Claims:						
Outstanding claims (including ULAE)	**170,485,992**	**121,623,619**	**48,862,373**	203,961,103	132,706,318	71,254,785
Incurred but not reported	**68,791,467**	**43,723,777**	**25,067,690**	83,690,344	55,237,187	28,453,157
Total at 1 January	**239,277,459**	**165,347,396**	**73,930,063**	287,651,447	187,943,505	99,707,942
Claims settled	**(168,831,958)**	**(126,115,566)**	**(42,716,392)**	(186,938,744)	(133,524,323)	(53,414,421)
Increase in liabilities	**156,927,066**	**128,808,709**	**28,118,357**	138,564,756	110,928,214	27,636,542
Total at 31 December	**227,372,567**	**168,040,539**	**59,332,028**	239,277,459	165,347,396	73,930,063
Outstanding claims (including ULAE)	**166,247,774**	**130,648,879**	**35,598,895**	170,485,992	121,623,619	48,862,373
Incurred but not reported	**61,124,793**	**37,391,660**	**23,733,133**	68,791,467	43,723,777	25,067,690
Total at 31 December	**227,372,567**	**168,040,539**	**59,332,028**	239,277,459	165,347,396	73,930,063
Unearned premium:						
Total at 1 January	**154,623,506**	**109,448,851**	**45,174,655**	179,867,116	123,738,416	56,128,700
Increase during the year	**323,786,185**	**235,861,391**	**87,924,794**	333,506,099	238,639,708	94,866,391
Release during the year	**(339,617,210)**	**(246,409,690)**	**(93,207,520)**	(358,749,709)	(252,929,273)	(105,820,436)
Net decrease during the year	**(15,831,025)**	**(10,548,299)**	**(5,282,726)**	(25,243,610)	(14,289,565)	(10,954,045)
Total at 31 December	**138,792,481**	**98,900,552**	**39,891,929**	154,623,506	109,448,851	45,174,655

10 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS continued

Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Unallocated Loss Adjustment Expenses Reserve (ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions.

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by claims technicians and established case setting procedures. Ultimate claims are estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the past claims development experience can be used to project future claims development and hence ultimate claims. As such, these methods extrapolate the development of paid and incurred losses based on the observed development of earlier years and expected loss ratios. Historical claims development is mainly analysed by accident period. IBNR claims are estimated by subtracting outstanding claims provisions from ultimate claims estimates.

Claim development is separately analysed for each LOB. The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved.

Premium deficiency reserve (PDR) and unexpired risk reserve (URR) are calculated by external actuaries using a selection of actuarial methods on those lines of business where the unearned premiums is not adequate to meet the expected future liabilities from claims, commissions and expenses. Actuaries analysed the expected losses on the in-force policies separately for each of these lines of business using a selection of actuarial method. Actual commission payouts and expected expenses on the in-force portfolio were used to calculate premium deficiency reserves. PDR also includes consideration of cost of capital or other profit loadings. Additional URR is held for lines of business where the risk is not linear across the policy term.

11 CASH AND CASH EQUIVALENTS

	2019 *AED*	*2018* *AED*
Cash on hand	**176,961**	15,317
Current accounts	**192,894,486**	17,031,132
Term deposits *	**104,367,554**	224,722,456
Bank balances and cash	**297,439,001**	241,768,905
Less: term deposits with an original maturity over 3 months	**(104,367,554)**	(224,722,456)
Cash and cash equivalents	**193,071,447**	17,046,449

* Term deposits are stated at net of expected credit losses amounting to AED 392,220 as at 31 December 2019 (2018: AED 392,220).

Geographical concentration of cash and bank balances is as follows:

	2019 *AED*	*2018* *AED*
Within UAE	**297,439,001**	241,768,905

Term deposits are held with financial institutions in UAE, with an original maturity ranging from six to twelve months. Interest is receivable at annual rates ranging from 2.25% to 4.1% per annum (2018: 0.55% to 4.10% per annum).

12 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Directors are expected to avoid any action, position or interest that conflict with an interest of the Company. Details of all transactions in which a Director and/or related parties might have actual or potential conflicts are provided to the Board of Directors for their review and approval. When a potential conflict of interest arises, Directors concerned neither participates in the discussions nor exercise any influence over other members of the Board. If a major shareholder or a Director has any conflict of interests with any matter to be considered by the Board of Director and the Board of Directors determines that such a matter is significant, the decision thereon by the Board of Directors shall be made in the presence of all Directors and in the absence of the interested Director's vote.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company, being the directors, managing director and his direct reports.

The following balances were outstanding at the end of the reporting period:

	Nature of relationship	***2019 AED***	*2018 AED*
Due from policyholders – related parties (note 9)	Affiliates	**137,393**	549,162
Remuneration of the Directors (note 16)		**4,500,000**	3,000,000

Transactions with related parties during the year are as follows:

	Nature of relationship	***2019 AED***	*2018 AED*
Premiums written	*Affiliates*	**1,490,773**	1,586,246
Claims paid	*Affiliates*	**1,474,671**	777,538
Remuneration of the Directors (note 22)		**4,500,000**	3,000,000

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions

Remuneration of key management personnel

	2019 AED	*2018 AED*
Short term benefits	**2,349,720**	2,349,720
Post-employment benefits	**114,592**	110,921
	2,464,312	2,460,641

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

13 SHARE CAPITAL

	2019 AED	2018 AED
Authorised, issue and fully paid:		
100,000,000 (2018: 100,000,000) ordinary shares of AED 1 each	**100,000,000**	100,000,000

Dividends:
On 19 March 2019, the shareholders at the Annual General Assembly approved cash dividends of 0.35 fils per share amounting to AED 35,000,000 (2018: AED 35,000,000).

In respect of the year ended 31 December 2019, the Board of Directors in their meeting held on 11 February 2020 has proposed a cash dividend of AED 0.40 per share (total of AED 40 million) to be paid to the Shareholders. The cash dividend is subject to approval of the Shareholders at their forthcoming Annual General Meeting.

14 RESERVES

Legal reserve
In accordance with the UAE Federal Law Number (2) of 2015 concerning Commercial Companies and the Company's Articles of Association, 10% of profit is to be transferred to a non-distributable legal reserve until the balance of the legal reserve equals 50% of the Company's paid up share capital. This reserve is not available for dividend distribution.

General reserve
Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

Investment revaluation reserve
Investments revaluation reserve represents the accumulated unreleased gains or losses that are recognised on investments carried at fair value through other comprehensive income at reporting date.

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFIT

	2019 AED	2018 AED
Balance at 1 January	**7,548,873**	7,101,840
Charge for the year	**553,404**	698,002
Paid during the year	**(186,452)**	(250,969)
Balance at 31 December	**7,915,825**	7,548,873

During the year, the Company paid pension contributions in respect of UAE national employees amounting to AED 197,323 (2018: AED 200,747).

16 INSURANCE AND OTHER PAYABLES

	2019 AED	31 December 2018 AED (Restated)	1 January 2018 AED (Restated)
Due to policyholders	**57,193,698**	50,204,662	49,411,091
Due to insurance companies	**56,900,548**	53,586,074	44,605,306
Due to reinsurance companies	**21,819,973**	17,085,666	20,092,075
Premium reserve withheld	**57,950,450**	66,227,137	83,255,802
Insurance payables	**193,864,669**	187,103,539	197,364,274
Dividend payable	**5,475,715**	5,475,715	6,050,344
Fee payable to insurance authority	**1,385,998**	1,447,646	1,867,155
Deferred income	**1,351,767**	1,468,674	1,646,194
Remuneration of the Directors (note 12)	**4,500,000**	3,000,000	3,000,000
Other payables	**17,274,576**	14,620,993	13,160,175
Other payables	**29,988,056**	26,013,028	25,723,868
	223,852,725	213,116,567	223,088,142

The average credit period is 60 to 90 days. The Company has financial risk management policies in place to ensure that all payables are paid within credit time frame.

Geographical concentration of insurance payables is as follows:

	31 December 2019			*31 December 2018*		
	Inside UAE AED	***Outside UAE AED***	***Total AED***	*Inside UAE AED*	*Outside UAE AED*	*Total AED*
Due to policyholders	**57,193,698**	**-**	**57,193,698**	45,674,613	4,530,049	50,204,662
Due to insurance companies	**54,307,393**	**2,593,155**	**56,900,548**	52,557,952	1,028,122	53,586,074
Due to reinsurance companies	**1,643,305**	**20,176,668**	**21,819,973**	777,518	16,308,148	17,085,666
	113,144,396	**22,769,823**	**135,914,219**	99,010,083	21,866,319	120,876,402

17 PROFIT FOR THE YEAR

Profit for the year is stated after charging:

	2019 AED	*2018 AED*
Staff costs (note 22)	**26,924,484**	26,362,591
Depreciation of property and equipment right-of-use assets (note 22)	**2,010,646**	504,757
Amortisation of intangible assets (note 4 & 22)	**521,722**	810,692

18 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

	2019	*2018 (Restated)*
Profit for the year (AED)	**71,098,034**	55,010,090
Weighted average number of ordinary shares in issue throughout the year	**100,000,000**	100,000,000
Basic and diluted earnings per share (AED)	**0.71**	0.55

As of 31 December 2019 and 2018, the Company has not issued any instruments that have an impact on the basic and diluted earnings per share when exercised.

19 NET PREMIUMS

	Gross premiums written		*Reinsurance premiums ceded*		*Net premiums*	
	2019 AED	*2018 AED*	***2019 AED***	*2018 AED*	***2019 AED***	*2018 AED*
Motor	**130,533,652**	169,984,927	**80,886,795**	108,070,734	**49,646,857**	61,914,193
Fire	**57,234,567**	48,846,792	**54,205,831**	45,806,357	**3,028,736**	3,040,435
Medical	**40,910,190**	46,441,123	**25,329,862**	28,877,847	**15,580,328**	17,563,276
Engineering	**19,759,521**	27,770,557	**18,840,191**	26,836,035	**919,330**	934,522
Marine	**62,235,279**	25,168,781	**49,765,356**	21,094,391	**12,469,923**	4,074,390
Workmen's compensation and third party liability	**9,527,022**	11,400,538	**3,742,450**	4,509,279	**5,784,572**	6,891,259
Other lines of business	**3,585,954**	3,893,381	**3,090,906**	3,445,065	**495,048**	448,316
	323,786,185	333,506,099	**235,861,391**	238,639,708	**87,924,794**	94,866,391

20 NET CLAIMS PAID

	Gross claims paid		*Reinsurance share of claims paid*		*Net claims paid*	
	2019 AED	*2018 AED*	***2019 AED***	*2018 AED*	***2019 AED***	*2018 AED*
Motor	**103,007,217**	108,015,246	**73,219,804**	75,826,732	**29,787,413**	32,188,514
Fire	**11,559,107**	14,291,330	**11,169,910**	13,976,416	**389,197**	314,914
Medical	**38,280,487**	38,387,794	**26,955,204**	19,044,109	**11,325,283**	19,343,685
Engineering	**6,469,556**	11,657,337	**6,373,028**	11,800,838	**96,528**	(143,501)
Marine	**4,453,131**	10,891,032	**4,233,636**	10,626,930	**219,495**	264,102
Workmen's compensation and third party liability	**1,123,028**	1,503,540	**532,375**	137,476	**590,653**	1,366,064
Other lines of business	**3,939,432**	2,192,465	**3,631,609**	2,111,822	**307,823**	80,643
	168,831,958	186,938,744	**126,115,566**	133,524,323	**42,716,392**	53,414,421

21 INCOME FROM INVESTMENTS

	2019 AED	2018 AED (Restated)
Dividend income	**10,636,145**	12,082,459
Interest income	**10,459,200**	9,218,599
Change in fair value of investments carried at fair value through profit or loss (note 8)	**1,095,013**	(6,847,123)
Gain on sale of investments carried at fair value through profit or loss	**1,502,289**	298,139
Change in fair value of investment properties (note 5)	**-**	(7,194,488)
Other investment loss	**(24,098)**	(439,466)
	23,668,549	7,118,120

22 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 AED	2018 AED (Restated)
Staff costs (note 17)	**26,924,484**	26,362,591
Remuneration of the Directors (note 12)	**4,500,000**	3,000,000
Legal and professional fees	**2,415,724**	1,748,789
Insurance Authority fees	**1,385,992**	1,447,640
Depreciation of property and equipment and right-of-use assets (note 17)	**2,010,646**	504,757
Impairment of outstanding claims recoveries	**2,100,000**	-
Travelling and communication	**1,130,842**	1,050,623
Amortisation of intangible assets (note 4 & 17)	**521,722**	810,692
Printing and stationery	**481,255**	581,937
Interest expense on withheld reinsurance balance	**538,798**	874,230
Training cost	**323,786**	333,505
Repair and maintenance	**420,165**	526,240
Rent expense	**-**	1,616,291
Impairment of insurance receivable (note 9)	**-**	16,473,741
Other expenses	**1,902,159**	1,678,619
	44,655,573	57,009,655
Allocated to:		
Underwriting	**4,887,936**	3,205,832
Other expenses	**39,767,637**	53,803,823
	44,655,573	57,009,655

23 RISK MANAGEMENT

Governance framework
The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

Capital management objectives, policies and approach
The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements within the United Arab Emirates where it operates.

Approach to capital management
The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity funds provided by shareholders.

The Company has had no significant changes in its policies and processes relating to its capital structure during the previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. Capital comprises share capital, legal reserve, general reserve, investment revaluation reserve and retained earnings, and is measured at AED 391 million as at 31 December 2019 (2018: AED 350 million).

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Insurance Authority allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for Insurance companies.

23 RISK MANAGEMENT continued

Approach to capital management continued
The solvency regulations identify the required Solvency Margin to be held in addition to insurance liabilities. The Solvency Margin (presented in the table below) must be maintained at all times throughout the year.

The table below summarises the Minimum Capital Requirement, Minimum Guarantee Fund and Solvency Capital Requirement of the Company and the total capital held to meet these required Solvency Margins.

	2019 AED	*2018 AED*
Minimum Capital Requirement (MCR)	**100,000,000**	100,000,000
Solvency Capital Requirement (SCR)	**134,275,730**	115,948,051
Minimum Guarantee Fund (MGF)	**44,758,577**	38,649,350
Own funds		
Basic Own Funds	**277,421,918**	267,375,938
Ancillary Own Funds	**-**	-
MCR Solvency Margin (surplus)	**177,421,918**	167,375,938
SCR Solvency Margin (surplus)	**143,146,188**	151,427,887
MGF Solvency Margin (surplus)	**232,663,341**	228,726,588

24 INSURANCE AND FINANCIAL RISK

Regulatory framework
Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, 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 subject to regulatory requirements within the jurisdictions in which it operates. 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 insurance companies to meet unforeseen liabilities as these arise.

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28th December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE.

The major highlights of the new regulation is summarized in the below table:

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Compay shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepare and present reports and financial statements

24 INSURANCE AND FINANCIAL RISK continued

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

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

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. The 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.

Frequency and severity of claims
The Company has the right not to renew individual policies, re-price the risk, it can impose deductibles and it has the right to 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). Furthermore, the Company's strategy limits the total exposure to any one territory and the exposure to any one industry.

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 minimum limit of AED 500,000 for motor and workmen's compensation and third party liability AED 300,000 in any one event. 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 in 3 years 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.

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.

24 INSURANCE AND FINANCIAL RISK continued

Insurance risk continued
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. 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. Claims requiring court or arbitration decisions are estimated individually by independent loss adjusters along with the Company's internal legal counsel.

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 end of the reporting period.

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.

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. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation.

The estimated loss ratios are analysed below by class of business for the current and previous year:

	31 December 2019		*31 December 2018*	
Type of risk	***Gross loss ratio***	***Net loss ratio***	*Gross loss ratio*	*Net loss ratio*
Motor	**79%**	**60%**	64%	52%
Non-motor	**34%**	**34%**	48%	64%

Process used to decide on assumptions
The risks associated with the insurance contracts are complex and subject to a number of variables that complicate quantitative sensitivity analysis. Internal data is derived mostly from the Company's quarterly claims reports and screening of the actual insurance contracts carried out at the end of the reporting period to derive data for the contracts held. The Company uses assumptions based on a mixture of internal and market data to measure its claims liabilities. The Company has reviewed the individual contracts and in particular the industries in which the insured companies operate and the actual exposure years of claims. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or Company's accident years within the same class of business.

24 INSURANCE AND FINANCIAL RISK continued

Insurance risk continued

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis for motor and non-motor:

Accident year	*2015 and earlier AED*	*2016 AED*	*2017 AED*	*2018 AED*	*2019 AED*	*Total AED*
Non-Motor- Gross:						
At the end of the accident year	728,172,541	218,829,453	102,684,636	91,861,888	107,929,183	1,249,477,701
One year later	757,064,429	194,513,165	74,546,360	70,946,976	-	1,097,070,930
Two years later	810,690,030	187,453,885	73,964,090	-	-	1,072,108,005
Three years later	795,552,622	186,446,911	-	-	-	981,999,533
Four years later	794,594,307	-	-	-	-	794,594,307
Current estimate of Cumulative claims	794,594,307	186,446,911	73,964,090	70,946,976	107,929,183	1,233,881,467
Cumulative payments to date	771,221,152	171,699,418	63,490,301	52,490,121	39,652,986	1,098,553,978
Liability recognised in the statement of financial position	23,373,155	14,747,493	10,473,789	18,456,855	68,276,197	135,327,489
Motor- Gross:						
At the end of the accident year	436,539,252	98,984,772	146,640,701	121,908,015	92,545,833	896,618,573
One year later	439,744,203	92,130,131	125,308,055	101,760,899	-	758,943,288
Two years later	484,759,265	91,331,398	126,327,646	-	-	702,418,309
Three years later	482,651,351	90,186,668	-	-	-	572,838,019
Four years later	483,309,130	-	-	-	-	483,309,130
Current estimate of Cumulative claims	483,309,130	90,186,668	126,327,646	101,760,899	92,545,833	894,130,176
Cumulative payments to date	476,096,687	86,259,641	111,580,915	85,838,261	46,573,102	806,348,606
Liability recognised in the statement of financial position	7,212,443	3,927,027	14,746,731	15,922,638	45,972,731	87,781,570

Concentration of insurance risk

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe and Asia.

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.

24 INSURANCE AND FINANCIAL RISK continued

Insurance risk continued

Concentration of insurance risk continued

The concentration of insurance risk before and after reinsurance by territory in relation to the type of insurance risk accepted is summarised below:

	31 December 2019		*31 December 2018*	
Type of risk	*Gross* *AED*	*Net* *AED*	*Gross* *AED*	*Net* *AED*
Motor				
UAE	**22,450,219,437**	**6,730,582,831**	26,996,859,408	8,155,538,720
Non-motor				
UAE	**185,613,744,184**	**8,670,105,259**	168,232,075,572	6,553,376,428
GCC countries	**16,680,830,379**	**3,327,863,247**	7,565,068,317	2,748,764,068
	202,294,574,563	**11,997,968,506**	175,797,143,889	9,302,140,496
Grand total	**224,744,794,000**	**18,728,551,337**	202,794,003,297	17,457,679,216

Sensitivity of underwriting profit and losses

The insurance operations of the Company resulted in a profit of AED 85,259,413 (2018: AED 98,755,281).

- The Company has an overall risk retention level in the region of 8.33% (2018: 8.61%) and the Company is adequately covered by proportional and non-proportional programs to guard against major financial impact.
- The Company has net commission earnings of AED 25,456,573 during the year against AED 22,771,236 in 2018 from underwriting operations, predominantly from the reinsurance placement which remains as a comfortable source of income.

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;
- amounts due from insurance intermediaries; and
- amounts due from banks for its bank balances and fixed deposits and bonds.

The Company has adopted a policy of only 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 the 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.

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 mitigated by ongoing credit evaluation of their financial condition. 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.

24 INSURANCE AND FINANCIAL RISK continued

Credit risk continued
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.

The Company's five largest customers account for 26% of outstanding accounts receivable at 31 December 2019 (2018: 10%).

At 31 December 2019 and 2018, all term deposits were placed with banks within UAE. Management is confident that this concentration of liquid assets at year end does not result in any credit risk to the Company as the banks are major banks operating in the UAE and are highly regulated by the Central Bank.

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 for such receivables and liquid funds.

Equity price 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 is exposed to market risk with respect to its investment securities. The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in the market. In addition, the Company actively monitors the key factors that affect the market movements, including analysis of the operational and financial performance of investees.

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

At the reporting date if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant:

For investments held at fair value through profit or loss

Fair value would have increased/decreased by AED 4,382,700 (2018: AED 8,966,017).

For investments held at fair value through other comprehensive income

Changes in revaluation reserves of shares would increase/decrease by AED 19,005,400 (2018: AED 18,435,039) as a result of the changes in fair value of quoted shares.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect the finance income or finance cost of the Company. The Company is exposed to interest rate risk on its investment in bonds and term deposits that carry fixed interest rates which are detailed in Notes 8 and 11, respectively.

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

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

As all the interest bearing financial assets and liabilities of the Company carry fixed interest rates, the Company is not subject to fluctuation of interest rate at the reporting date.

24 INSURANCE AND FINANCIAL RISK continued

Currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The Company's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Company is not subject to significant currency risk.

Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

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

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2019 and 31 December 2018, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED	*Non-current >1 year AED*	*Total AED*
31 December 2019			
Trade and other payables	**223,852,725**	**-**	**223,852,725**
Insurance contract liabilities	**368,829,914**	**-**	**368,829,914**
Total	**592,682,639**	**-**	**592,682,639**
31 December 2018			
Trade and other payables	209,690,231	-	209,690,231
Insurance contract liabilities	394,018,715	-	394,018,715
Total	603,708,946	-	603,708,946

The expected maturity profile of the assets at 31 December 2019 and 2018 is as follows:

	Current AED	*Non-current AED*	*Total AED*
31 December 2019			
Property and equipment	-	**1,985,244**	**1,985,244**
Intangible assets	-	**1,253,615**	**1,253,615**
Right-of-use-assets	-	**8,101,123**	**8,101,123**
Investment properties	-	**65,812,225**	**65,812,225**
Statutory deposits	-	**9,980,000**	**9,980,000**
Deferred acquisition costs	**15,510,242**	-	**15,510,242**
Investments carried at fair value through other comprehensive income	-	**190,053,996**	**190,053,996**
Investments carried at fair value through profit or loss	**43,826,999**	-	**43,826,999**
Insurance balances receivable	**116,875,552**	-	**116,875,552**
Reinsurer's share of unearned premium reserve	**98,900,552**	-	**98,900,552**
Reinsurer's share of outstanding claims reserve	**130,648,879**	-	**130,648,879**
Reinsurer's share of claims incurred but not reported reserve	**37,391,660**	-	**37,391,660**
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	**591,565**	-	**591,565**
Prepayments and other receivables	**6,110,522**	-	**6,110,522**
Deposits	**104,367,554**	-	**104,367,554**
Bank balances and cash	**193,071,447**	-	**193,071,447**
	747,294,972	**277,186,203**	**1,024,481,175**

24 INSURANCE AND FINANCIAL RISK continued

Liquidity risk continued

	Current AED	*Non-current AED*	*Total AED*
31 December 2018			
Property and equipment	-	1,164,938	1,164,938
Intangible assets	-	1,094,032	1,094,032
Investment properties	-	65,812,225	65,812,225
Statutory deposits	-	9,980,000	9,980,000
Deferred acquisition costs	16,974,659	-	16,974,659
Investments carried at fair value through other comprehensive income	-	184,350,390	184,350,390
Investments carried at fair value through profit or loss	89,660,167	-	89,660,167
Insurance balances receivable	99,655,968	-	99,655,968
Reinsurer's share of unearned premium reserve	109,448,851	-	109,448,851
Reinsurer's share of outstanding claims reserve	121,623,619	-	121,623,619
Reinsurer's share of claims incurred but not reported reserve	43,723,777	-	43,723,777
Reinsurer's share of unexpired risk reserve (premium deficiency reserve)	117,750	-	117,750
Prepayments and other receivables	7,541,755	-	7,541,755
Deposits	224,722,456	-	224,722,456
Bank balances and cash	17,046,449	-	17,046,449
	730,515,451	262,401,585	992,917,036

Except for employees' end of service benefits of AED 7,915,825 (2018: AED 7,548,873) and the non-current portion of lease liabilities amounting to AED 5,321,373 (2018: nil), the Company expects its liabilities of AED 619,770,831 (2018: AED 635,115,155) to mature in less than twelve months from the reporting date.

25 FAIR VALUES

Financial instruments comprise of financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the reporting date.

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	Level 1 AED	*Level 2 AED*	*Level 3 AED*	*Total AED*
At 31 December 2019				
Investments carried at fair value through profit or loss	**35,824,260**	-	**8,002,739**	**43,826,999**
Investments carried through other comprehensive income	**190,053,996**	-	-	**190,053,996**
	225,878,256	-	**8,002,739**	**233,880,995**
At 31 December 2018				
Investments carried at fair value through profit or loss	81,657,428	-	8,002,739	89,660,167
Investments carried through other comprehensive income	184,350,390	-	-	184,350,390
	266,007,818	-	8,002,739	274,010,557

Valuation technique:

Level 1: Quoted bid prices in an active market
Level 3: Net assets value based on audited financials

During the reporting periods ended 31 December 2019 and 31 December 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

26 SEGMENT REPORTING

26.1 Segment revenue and results

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

The following summary describes the two main business segments:

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

Information regarding the Company's reportable segments is presented below:

	31 December 2019			*31 December 2018*		
	Underwriting AED	***Investments AED***	***Total AED***	*Underwriting AED*	*Investments AED*	*Total AED*
Direct revenues	**382,991,518**	**24,701,889**	**407,693,407**	398,020,662	17,941,609	415,962,271
Direct costs	**(294,519,084)**	**(821,260)**	**(295,340,344)**	(297,011,668)	(1,069,388)	(298,081,056)
Other underwriting income	**1,674,914**	**-**	**1,674,914**	952,119	-	952,119
Other underwriting expenses	**(4,887,936)**	**-**	**(4,887,936)**	(3,205,832)	-	(3,205,832)
Non-cash investment gain (loss)	**-**	**2,078,729**	**2,078,729**	-	(6,847,123)	(6,847,123)
Segment profit	**85,259,412**	**25,959,358**	**111,218,770**	98,755,281	10,025,097	108,780,379
General and administrative expenses			**(39,767,637)**			(53,803,823)
Finance cost			**(376,266)**			-
Other income			**23,167**			33,534
Profit for the year			**71,098,034**			55,010,090

Revenue reported above represents revenue generated from external customers and third parties. There were no inter-segment revenues during 2019 and 2018.

26.2 Segment assets and liabilities

	As at 31 December 2019			*As at 31 December 2018*		
	Underwriting AED	***Investments AED***	***Total AED***	*Underwriting AED*	*Investments AED*	*Total AED*
Segment assets	**610,440,398**	**220,969,330**	**831,409,728**	401,345,349	574,525,238	975,870,587
Unallocated assets			**193,071,447**			17,046,449
Total assets			**1,024,481,175**			992,917,036
Segment liabilities	**618,352,282**	**9,180,029**	**627,532,311**	632,138,613	1,623,364	633,761,977
Unallocated liabilities			**5,475,718**			8,902,051
Total liabilities			**633,008,029**			642,664,028
Capital expenditure	**2,141,672**	**-**	**2,141,672**	1,391,633	-	1,391,633

26 SEGMENT REPORTING continued

26.3 Revenue from underwriting departments

The following is an analysis of the Company's revenues classified by major underwriting departments.

	2019 AED	2018 AED
Motor	**152,250,525**	198,562,168
Medical	**43,255,895**	50,772,800
Engineering	**26,554,445**	37,713,412
Fire	**75,123,899**	62,999,744
Marine	**71,186,463**	30,908,333
Workmen's compensation and third party liability	**9,980,158**	12,019,849
Others	**4,640,133**	5,044,356
	382,991,518	398,020,662

26.4 Geographical information

The Company's underwriting business is based entirely within the UAE and other GCC countries, except for some treaty reinsurance arrangements with companies based in Europe. All the investments of the Company are held in the UAE and other GCC countries.

Total revenues and total assets of the underwriting and investment segments by geographical location are detailed below:

	Revenue 2019 AED	*Revenue 2018 AED*	*Total assets 2019 AED*	*Total assets 2018 AED*
United Arab Emirates	**329,529,291**	387,034,529	**1,019,609,515**	989,506,565
Other GCC Countries	**7,084,165**	1,331,662	**2,898,175**	1,701,889
Others	**46,378,062**	9,654,471	**1,973,485**	1,708,582
	382,991,518	398,020,662	**1,024,481,175**	992,917,036

27 COMMITMENTS AND CONTINGENT LIABILITIES

Legal claims
The Company, in common with the majority of insurers, is subject to claims and litigation in the normal course of its business. Based on advice from internal claims department and independent legal advice, the management records provision representing best estimate of probable outflow of economic resources

Guarantees

	2019 AED	2018 AED
Bank guarantees	**18,706,187**	18,252,187

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

28 PRIOR YEAR ADJUSTMENT

Investment properties
Investment properties comprises of two buildings located in Abu Dhabi and Al Ain. In Abu Dhabi, three floors of the building are being occupied by the Company itself with the remaining fourteen floors being leased to third parties. For Al Ain building, the Company occupies the first and mezzanine floors with the remaining space being leased to third parties. In prior years, the full value of both buildings was classified under investment properties, opposed to segregating the own-use portion occupied by the Company as office space, and classifying it as property and equipment.

During 2019, the Company quantified the value of its own use office space being occupied in the buildings and accordingly adjusted the value of investment properties. The change was applied retrospectively as required by IAS 8 "Accounting policies, changes in accounting estimates and errors" and, therefore, the prior years' financial statements were restated.

Bonus expense
Bonus expense was recorded by the Company on payment bases rather than on accrual bases. This resulted in an expense being recorded pertaining to the previous year. Resultantly bonus expense pertaining to prior year has been restated to accrue for it in the year it pertains to. The change was applied retrospectively as required by IAS 8 "Accounting policies, changes in accounting estimates and errors" and, therefore, the prior years' financial statements were restated.

The financial position for the prior period has been restated due to the aforementioned changes.

(a) Impact of prior year adjustment on the statement of financial position as at 1 January 2018

	At 1 January 2018 as previously reported AED'000	*Restatements AED'000*	*At 1 January 2018 restated AED'000*
Retained earnings	56,865,583	(12,019,623)	44,845,960
Investment properties	81,600,000	(8,593,287)	73,006,713
Other payables	22,297,532	3,426,336	25,723,868

(b) Impact of prior year adjustment on the statement of financial position as at 31 December 2018

	At 31 December 2018 as previously reported AED	*Restatements AED*	*At 31 December 2018 restated AED*
Retained earnings	76,048,561	(11,192,511)	64,856,050
Investment properties	73,578,400	(7,766,175)	65,812,225
Other payables	22,586,692	3,426,336	26,013,028

(c) Impact of prior year adjustment on the statement of income for the year ended 31 December 2018

	31 December 2018 as previously reported	*Restatements*	*31 December 2018 restated*
Income from investments	6,291,008	827,112	7,118,120