SHARJAH INSURANCE COMPANY P.S.C.

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

SHARJAH INSURANCE COMPANY P.S.C.

Board of Directors' report

The Board of Directors of Sharjah Insurance has the honor to disclose the audited financial statements. The following is a brief summary of the results of the Company's operations for the year ended 31 December 2019:

First: Insurance activity:

Under the guidance of the Board of Directors of the Company to maintain the technical profits achieved in the past two years, the company has continued a conservative underwriting policy to select the business according to the technical results reached as follows:

Operational Results:

- Total written premium for 2019 amounted to AED 44 million compared to AED 53 million for 2018. The net retained premium for 2019 amounted to AED 26 million compared to AED 30 million in 2018.
- Net operational profit for the year 2019 was AED 5 million compared to AED 11 million for the year 2018.

Second: Investment Activity:

- Investment profits for the year 2019 amounted to AED 11 million compared to AED 13 million in 2018.

The company's net profit for the year 2019 amounted to AED 14.7 million compared to AED 16.4 million for the year 2018.

The main objective of the company's board of directors and its executive management is to maintain and develop the economic entity to the benefit of the country, the citizens and the investors. Therefore, we are committed to be in the ranks of the competitive company's professionality and committed to apply the highest standards of quality and management governance to meet the requirements of transparency and disclosure.

- The Company renewed the Reinsurance agreements for 2020 on technical basis to ensure the continuation of the underwriting performance and expansion of its operation.

Based on these results, the Board of Directors propose cash dividend distribution at 7% for the year 2019 to shareholders.

Finally, I would like to thank the Board of Directors and employees for their efforts and hope greater efforts to be done to continue the successful journey.

Yours faithfully,

for/Mohammed Bin Saoud AL Qassimi
Chairman

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Independent Auditor's Report
To the Shareholders of Sharjah Insurance Company P.S.C.

Report on the audit of the financial statements

Opinion

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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Matter

The financial statements of the company as at and for the year ended 31 December 2018 were audited by another auditor, whose report dated 7 March 2019 expressed an unqualified opinion on these financial statements.

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 Company for the year ended 31 December 2019. 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.

Independent Auditor's Report
To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Key audit matters (continued)

i) Valuation of insurance contract liabilities and reinsurance contract assets

The estimation of liabilities and assets arising from insurance contracts amounting to AED 67.5 million for insurance contract liabilities and AED 36.3 million for reinsurance contract assets (2018: AED 87 million for insurance contract liabilities and AED 51.8 million for reinsurance contract assets) such as outstanding claims, incurred but not reported claims, unallocated loss adjustment expenses and unearned premium reserve, as disclosed in note 10 to the financial statements, involves a significant degree of judgement. These liabilities and assets are based on the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and the pattern of risk distribution over the coverage period. Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities and assets were significant to our audit.

Our audit procedures, among others, included:

We assessed management's calculations of the insurance contract liabilities and reinsurance contract assets by performing the following procedures:

- We tested the underlying company data to source documentation;
- We applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices;
- Understood and tested the governance process in place to determine the insurance contract liabilities and reinsurance contract assets, including testing the associated financial reporting control framework;
- We performed independent re-computations on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our re-computed claims reserves to those booked by management, and sought to understand any significant differences;
- For the remaining classes we evaluated the methodology and assumptions, or performed a diagnostic check to identify and follow up any anomalies; and
- We involved our own actuarial specialist to assist us in performing our procedures in this area.

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

ii) Valuation of investment properties

Company holds investment properties under the fair value method as at 31 December 2019 amounting to AED 54.4 million (2018: 54.7 million), as detailed in note 7. The fair value estimate requires significant judgement and estimates by management and independent external valuers. The Company has involved independent external valuers in order to value the investment properties for the purpose of determining the fair value for inclusion in the financial statements. The existence of significant estimation and judgement coupled with change in valuation assumptions used could result in material change. Therefore, the valuation of these investment properties was significant to our audit.

Our audit procedures, among others, included:

- Discussion with independent valuer to understand the basis of valuation for each property and other judgements used in performing the valuation;
- Checking the accuracy and relevance of the input data used for deriving fair values;

Independent Auditor's Report
To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Key audit matters (continued)

ii) Valuation of investment properties (continued)

- Assessing the competence, capabilities, and objectivity of external valuers; and
- Assessing the appropriateness of the key assumptions and methodologies used;

Based on the work performed, we considered the methodology and assumptions used by management to be appropriate.

Other Information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and UAE Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of 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.

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Independent Auditor's Report
To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional 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 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 represents 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 and regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Independent Auditor's Report
To the Shareholders of Sharjah Insurance Company P.S.C. (continued)

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

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

vi) Note 24 to the financial statements discloses material related party transactions and balances, 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, during the financial year ended 31 December 2019, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2019.

Further, as required by the U.A.E. Federal Law No. 6 of 2007 and the related Financial Regulations for Insurance Companies, we report that we have obtained all the information and explanations we considered necessary for the purpose of our audit. The Company is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority pertaining to Article (3) of Section (1), relating to asset distribution and allocation limits.

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Audit and Accounting Limited (Sharjah Branch)

Grant Thornton

Farouk Mohamed

Registration No: 86
3 March 2020
Sharjah, United Arab Emirates

Statement of financial position
As at 31 December 2019

	Notes	2019 AED	2018 (Restated) AED
ASSETS			
Non-current assets			
Property and equipment	5	4,566,282	981,475
Intangible assets	6	282,111	413,308
Investment properties	7	54,430,000	54,698,150
Investments designated at fair value through other comprehensive income (FVOCI)	8.1	91,134,246	108,947,596
Statutory deposit	9	5,000,000	5,000,000
Total non-current assets		155,412,639	170,040,529
Current assets			
Reinsurance contract assets	10	36,273,295	51,814,151
Insurance and other receivables	11	37,990,989	57,224,564
Investments at fair value through profit or loss (FVTPL)	8.2	15,684,703	12,016,325
Deposits with banks	23, 12	27,426,982	27,286,204
Cash and cash equivalents	23	22,097,091	7,827,786
Total current assets		139,473,060	156,169,030
Total assets		294,885,699	326,209,559
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	137,500,000	137,500,000
Statutory reserve	14.1	47,808,916	46,336,398
Voluntary reserve	14.2	30,000,000	30,000,000
Cumulative change in fair value of financial investments designated at FVOCI		(132,132,448)	(129,643,688)
Retained earnings		110,527,183	110,573,748
Total equity		193,703,651	194,766,458
Non-current liabilities			
Provision for employees' end of service indemnity	15	1,772,122	1,695,242
Lease liabilities	17	3,324,841	-
Total Non-current liabilities		5,096,963	1,695,242
Current liabilities			
Insurance contract liabilities	10	67,495,816	87,404,030
Insurance and other payables	16	27,565,055	36,868,430
Lease liabilities	17	1,024,214	-
Bank overdrafts	18	-	5,475,399
Total current liabilities		96,085,085	129,747,859
Total liabilities		101,182,048	131,443,101
Total equity and liabilities		294,885,699	326,209,559

شركة الشارقة للتأمين ش.م.ع. المكتب الرئيسي Head Office Sharjah Insurance Co. P.S.C.

Chairman

General Manager

The accompanying notes from 1 to 32 an integral part of these financial statements.

Statement of income
For the year ended 31 December 2019

	Notes	2019 AED	2018 (Restated) AED
Insurance premium revenue	19	**48,526,477**	52,307,699
Insurance premium ceded to reinsurers	19	**(22,777,990)**	(22,135,970)
Net insurance premium revenue	19	**25,748,487**	30,171,729
Gross claims incurred	10	**(22,320,910)**	(7,852,185)
Reinsurance share of claims incurred	10	**10,246,236**	(5,431,103)
Net claims incurred	10	**(12,074,674)**	(13,283,288)
Commission income		**3,881,454**	4,089,841
Less: commission incurred		**(1,267,983)**	(1,332,865)
Other income relating to underwriting activities	21	**847,104**	2,887,674
Net commission and other income		**3,460,575**	5,644,650
Underwriting profit		**17,134,388**	22,533,091
General and administrative expenses relating to underwriting activities		**(12,329,470)**	(11,533,201)
Net underwriting profit		**4,804,918**	10,999,890
Investment and other income	20	**10,793,440**	13,289,742
Change in fair value of investment properties	7	**(268,150)**	(1,286,350)
Finance costs		**(22,883)**	(267,003)
Finance cost-lease liability		**(191,764)**	-
Reversal of impairment	11	**3,166,499**	-
Provision for impairment		-	(2,414,149)
Uncollectible value added tax-written off		-	(530,221)
Unallocated general and administrative expenses		**(3,556,884)**	(3,421,971)
Profit for the year	21	**14,725,176**	16,369,938
Basic and diluted earnings per share	22	**0.11**	0.12

The accompanying notes from 1 to 32 an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2019

	2019 AED	2018 AED
Profit for the year	**14,725,176**	16,369,938
Other comprehensive loss		
Items that will not be reclassified subsequently to profit or loss		
Net fair value loss on investments designated at FVOCI	**(8,488,835)**	(21,726,267)
Gain on sale of investments designated at FVOCI	**3,751,471**	2,561,599
Total other comprehensive loss for the year	**(4,737,364)**	(19,164,668)
Total comprehensive income/(loss) for the year	**9,987,812**	(2,794,730)

The accompanying notes from 1 to 32 form an integral part of these financial statements.

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

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative change in fair value of financial investments designated at FVOCI AED	Retained earnings AED	Total AED
Adjusted balance at 1 January 2018	137,500,000	44,699,404	30,000,000	(114,469,507)	109,906,291	207,636,188
Profit for the year	-	-	-	-	16,369,938	16,369,938
Other comprehensive (loss)/gain for the year	-	-	-	(21,726,267)	2,561,599	(19,164,668)
Total comprehensive income/(loss) for the year	-	-	-	(21,726,267)	18,931,537	(2,794,730)
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	-	6,552,086	(6,552,086)	-
Transfer to statutory reserve	-	1,636,994	-	-	(1,636,994)	-
Board of Directors' remuneration (Note 30)	-	-	-	-	(450,000)	(450,000)
Dividend (Note 30)	-	-	-	-	(9,625,000)	(9,625,000)
Balance at 31 December 2018	137,500,000	46,336,398	30,000,000	(129,643,688)	110,573,748	194,766,458
Adjustment on IFRS 16	-	-	-	-	(525,619)	(525,619)
Adjusted balance as at 1 January 2019	137,500,000	46,336,398	30,000,000	(129,643,688)	110,048,129	194,240,839
Profit for the year	-	-	-	-	14,725,176	14,725,176
Other comprehensive loss for the year	-	-	-	(8,488,835)	3,751,471	(4,737,364)
Total comprehensive income/(loss) for the year	-	-	-	(8,488,835)	18,476,647	9,987,812
Transfer to retained earnings on disposal of investments designated at FVOCI	-	-	-	6,000,075	(6,000,075)	-
Transfer to statutory reserve	-	1,472,518	-	-	(1,472,518)	-
Board of Directors' remuneration (Note 30)	-	-	-	-	(900,000)	(900,000)
Dividend (Note 30)	-	-	-	-	(9,625,000)	(9,625,000)
Balance at 31 December 2019	**137,500,000**	**47,808,916**	**30,000,000**	**(132,132,448)**	**110,527,183**	**193,703,651**

The accompanying notes from 1 to 32 an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2019

	2019	2018
	AED	AED
Cash flows from operating activities		
Profit for the year	**14,725,176**	16,369,938
Adjustments for:		
Depreciation of property and equipment	**1,413,371**	403,343
Amortization of intangible assets	**165,237**	142,533
Loss on sale of property and equipment	**7,000**	-
Provision for impairment	**-**	2,414,149
Reversal of impairment	**(3,166,499)**	-
Provision for employees' end of service indemnity	**239,033**	216,887
Fair value adjustments on investment properties	**268,150**	1,286,350
Investment income	**(10,793,440)**	(13,298,888)
Finance costs	**214,647**	267,003
Operating cash flows before changes in operating assets and liabilities	**3,072,675**	7,801,315
Decrease in reinsurance contract assets	**15,540,856**	10,483,689
(Decrease) in insurance contract liabilities	**(19,908,214)**	(11,282,840)
Decrease/(Increase) in insurance and other receivables	**22,400,074**	(19,275,843)
(Decrease)/Increase in insurance and other payables	**(9,303,375)**	3,146,033
Cash generated from/(used in) operations	**11,802,016**	(9,127,646)
Employees' end of service indemnity paid	**(162,153)**	(9,123)
Interest paid	**(22,883)**	(267,003)
Net cash generated from /(used) in operating activities	**11,616,980**	(9,403,772)
Cash flows from investing activities		
Purchase of property and equipment	**(264,886)**	(251,258)
Purchase of intangible assets	**(34,040)**	(117,696)
Proceeds from disposal of property and equipment	**68,000**	-
Purchase of investments designated at FVOCI	**(3,758,665)**	(10,987,970)
Purchase of investments at FVTPL	**(19,991,419)**	(7,133,867)
Proceeds from disposal of investments designated at FVOCI	**16,834,651**	19,550,984
Proceeds from disposal of investments at FVTPL	**18,230,027**	27,065,622
Increase in fixed deposits with bank	**(140,778)**	(1,004,128)
Interest received	**1,038,237**	1,093,604
Dividend received	**5,353,334**	7,096,032
Other investment income/expense	**(292,476)**	2,957,354
Income from investment properties – net	**2,787,359**	2,888,052
Net cash generated from investing activities	**19,829,344**	41,156,729

The accompanying notes from 1 to 32 form an integral part of these financial statements.

Statement of cash flows (continued)
For the year ended 31 December 2019

	2019 AED	2018 AED
Cash flows from financing activities		
Decrease in bank overdrafts	**(5,475,399)**	(17,324,991)
Lease liability paid	**(984,856)**	-
Interest cost paid – lease liability	**(191,764)**	-
Dividend paid	**(9,625,000)**	(9,806,309)
Directors' remuneration	**(900,000)**	(450,000)
Net cash used in financing activities	**(17,177,019)**	(27,581,300)
Net increase in cash and cash equivalents	**14,269,305**	4,171,657
Cash and cash equivalents at the beginning of the year	**7,827,786**	3,656,129
Cash and cash equivalents at the end of the year (Note 23)	**22,097,091**	7,827,786

The accompanying notes from 1 to 32 form an integral part of these financial statements.

1. General information

Sharjah Insurance Company P.S.C. - Sharjah (the "Company") is incorporated as a public shareholding company by an Amiri Decree issued by His Highness, The Ruler of Sharjah on 8 March 1970. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies register of Insurance Authority of U.A.E. under registration No.12. The Company operates through its head office in Sharjah and has branches in Dubai and Ajman. The address of the Company's registered office is P.O. Box 792, Sharjah, United Arab Emirates.

The principal activity of the Company is dealing in all types of insurance including life assurance. The Company mainly carries out general insurance business.

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

2.1 Standards, interpretations and amendments to existing standards that are effective in 2019

The following significant pronouncements from the IASB have been issued and have been adopted by the Company.

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations including 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 adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Company has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being January 1, 2019. At this date, the Company has also elected to measure the right-of-use assets as if IFRS 16 had been applied since the commencement date of the lease using the incremental borrowing rate at the date of initial application. The cumulative effect of the initial application was adjusted to the opening equity as of January 1, 2019.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.93% per annum.

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

2.1 Standards, interpretations and amendments to existing standards that are effective in 2019 (continued)

The Company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at January 1 2019:

	Carrying amount at December 31, 2018	Remeasurement	IFRS 16 carrying amount at January 1, 2019
Property and equipment (Right-of-use asset)	-	4,808,292	4,808,292
Lease liabilities	-	5,333,911	5,333,911
Retained earnings	110,573,748	(525,619)	110,048,129

2.2 Standards issued but not yet effective

<u>**New and revised IFRSs**</u>

IFRS 17 *Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

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

3. Significant accounting policies

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

3.1 Statement of compliance

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

The Company is in the process of complying with the requirements of the Financial Regulations for Insurance Companies issued by the Insurance Authority pertaining to Article (3) of Section 1, relating to asset distribution and allocation of limits.

3. Significant accounting policies (continued)

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that have been measured at revalued amounts, amortised cost or fair value as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 or value in use in IAS 36.

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

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

The principal accounting policies are set out below.

3.3 Insurance contracts

3.3.1 Definition, recognition and measurement

The Company issues contracts that transfer insurance risk. Insurance contracts are those contracts that transfer significant insurance risk.

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

3.3.2 Short-term insurance contracts

These contracts are casualty, property and short-duration life insurance contracts.

Casualty insurance contracts protect the Company's customers against the risk of causing harm to third parties as a result of their legitimate activities. Damages covered include both contractual and non contractual events.

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Short-term insurance contracts (continued)

Property insurance contracts mainly compensate the Company's customers for damage suffered to their properties or for the value of property lost. Customers who undertake commercial activities on their premises could also receive compensation for the loss of earnings caused by the inability to use the insured properties in their business activities (business interruption cover).

Short-duration life insurance contracts protect the Company's customers from the consequences of events that would affect on the ability of the customer or customer's dependents to maintain their current level of income. Guaranteed benefits paid on occurrence of the specified insurance event are either fixed or linked to the extent of the economic loss suffered by the policyholder. There are no maturity or surrender benefits.

For all these insurance contracts, premiums are recognised as revenue (earned premiums) on time-proportion basis wherein revenue from an insurance contract is recognised over the effective period of the policy with the exception of marine, where the unearned premium reserve (UPR) is recognised as fixed proportion of the written premiums and for engineering where UPR is calculated on uniform risk basis. The portion of premium received on in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability.

Claims and loss adjustment expenses are charged to profit or loss as incurred based on the estimated liability for compensation owed to contract holders or third parties damaged by the contract holders. They include direct claims settlement costs and arise from events that have occurred up to the reporting date even if even they have not yet been reported to the Company. The Company does not discount its liabilities for unpaid claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Company and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions).

Unallocated loss adjustment expense reserves correspond to the provision representing future claim expenses and related handling costs that are not case specific. It represents all other expenses and costs that are related to the adjudication of claims but cannot be assigned to a specific claim and is calculated based on recommendation of Company's external actuarial valuation report.

3.3.3 Reinsurance contracts

Contracts entered into by the Company with reinsurers under which the Company is compensated for losses on one or more contracts issued by the Company and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial assets. Insurance contracts entered into by the Company under which the contract holder is another insurer are included with insurance contracts. The benefits to which the Company is entitled under its reinsurance contracts held are recognised as reinsurance contract assets. These assets consist of short-term balances due from reinsurers, as well as longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due. The Company assesses its reinsurance contract assets for impairment on a regular basis. If there is objective evidence that the reinsurance contract asset is impaired, the Company reduces the carrying amount of the reinsurance contract assets to its recoverable amount and recognises that impairment loss in the profit or loss. The Company gathers the objective evidence that a reinsurance asset is impaired using the same process adopted for financial assets held at amortised cost. The impairment loss is also calculated following the same method used for these financial assets.

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.4 Insurance contract liabilities

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

The reinsurers' portion of the above outstanding claims and unearned premium is classified as reinsurance contract assets in the financial statements.

3.3.5 Salvage and subrogation reimbursements

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

3.3.6 Liability adequacy test

At the end of each reporting period, the Company assesses whether its recognised insurance liabilities are adequate using current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

3.3.7 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. 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 profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

3.3.8 Commission earned and incurred

Commissions and other acquisition costs that are related to securing new contracts and renewing existing contracts are charged to profit or loss when incurred. The Company recognise commissions received from reinsurance premium ceded as commission income in the period in which premium was ceded to the reinsurers.

3.4 Revenue recognition

3.4.1 Insurance contract income

Revenue from insurance contracts is measured under revenue recognition criteria stated under insurance contracts in these financial statements (Note 3.3).

3.4.2 Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3. Significant accounting policies (continued)

3.4 Revenue recognition (continued)

3.4.3 Dividend income

Dividend income from investments is recognised when the Company's rights to receive payment have been established.

3.4.4 Rental income

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

3.5 General and administrative expenses

85% of general and administrative expenses for the year are allocated to insurance departments in proportion to each department's share of written premium.

3.6 Foreign currencies

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

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

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

3.7 Employee benefits

3.7.1 Defined contribution plan

U.A.E. national employees of the Company are members of the Government-managed retirement pension and social security benefit scheme pursuant to U.A.E. labour law no. 7 of 1999. The Company is required to contribute 12.5% of the "contribution calculation salary" of payroll costs to the retirement benefit scheme to fund the benefits. The employees and the Government contribute 5% and 2.5% of the "contribution calculation salary" respectively, to the scheme. The only obligation of the Company with respect to the retirement pension and social security scheme is to make the specified contributions. The contributions are charged to profit or loss.

3.7.2 Annual leave and leave passage

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

3. Significant accounting policies (continued)

3.7 Employee benefits (continued)

3.7.3 Provision for employees' end of service indemnity

Provision is also made for the full amount of end of service indemnity due to non-U.A.E. national employees in accordance with the U.A.E. Labour Law and is based on current remuneration and their period of service at the end of the reporting period. The accrual relating to annual leave and leave passage is disclosed as a current liability, while the provision relating to end of service indemnity is disclosed as a non-current liability.

3.8 Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

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

The useful lives considered in the calculation of depreciation for all the assets are 4 - 5 years. Right-of-use assets are depreciated over the lease term.

3.9 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 4 years.

3.10 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation including properties under construction for such purposes. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the profit or loss in the period in which they arise.

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

Fair value is determined by open market values based on valuations performed by external independent consultants.

3. Significant accounting policies (continued)

3.11 Impairment of non-financial assets

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

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

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

3.12 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

3.13 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3. Significant accounting policies (continued)

3.14 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

3.14.1 Lessee

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains a lease. A lease is defined as 'a contract or part of a contract, that conveys the right-to-use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company.

- The Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

- The Company has the right to direct the use of the identified asset throughout the period of use. The Company assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Company recognises a right of use asset and a lease liability on the statement of financial position. The right of use asset is measured at cost, which is made up of the initial measurement of the lease liability, any direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Company depreciates the right of use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The Company also assesses the right of use asset for impairment when such indicators exist. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of the fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right of-use asset, or profit and loss if the right of use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.
On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in as a separate line item as lease liabilities

3. Significant accounting policies (continued)

3.14 Leases (continued)

3.14.2 Lessor

The Company's accounting policy under IFRS 16 has not changed from the comparative period. As a lessor the Company classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

3.14.3 Accounting policy applicable before January 1, 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company has no finance leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.15 Financial instruments

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

(i) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;

(ii) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at fair value through other comprehensive income (FVOCI);

(iii) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL. However, the Company may make the following irrevocable election/designation at initial recognition of a financial asset on an asset-by-asset basis:

a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and

b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

3. Significant accounting policies (continued)

3.15 Financial instruments (continued)

Cash and bank and insurance and other receivables

Cash and bank and insurance and other receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short- term receivables when the recognition of interest would be immaterial.

The effective interest rate (EIR) is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognised in profit or loss at initial recognition.

Equity instruments at FVOCI

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

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

Debt instruments at amortised cost or at FVOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company has not identified a change in its business models. When a debt instrument measured at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment.

3. Significant accounting policies (continued)

3.15 Financial instruments (continued)

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Fair value option: A financial instrument with a reliably measurable fair value can be designated as FVTPL (the fair value option) on its initial recognition even if the financial instrument was not acquired or incurred principally for the purpose of selling or repurchasing. The fair value option can be used for financial assets if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities, or recognizing related gains and losses on a different basis (an "accounting mismatch").

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting period, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss model (ECLs). The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits and insurance and other receivables that are not measured at FVTPL.

No impairment loss is recognised on equity investments.

With the exception of purchased or originated credit impaired (POCI) financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).
- A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for bank balances including statutory and fixed deposits, insurance and other receivables at an amount equal to life time ECLs.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.
When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company's historical experience and informed credit assessment and including forward-looking information.

3. Significant accounting policies (continued)

3.15 Financial instruments (continued)

Impairment (continued)

For certain categories of financial assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

Impairment losses related to bank balances including statutory and fixed deposits and insurance and other receivables are presented in the statement of income.

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

Measurement of ECL

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

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

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Company assesses whether financial assets carried at amortised costs are credit-impaired.

Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the 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 and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost or measured at FVTPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. Significant accounting policies (continued)

3.15 Financial instruments (continued)

Derecognition of financial assets (continued)

On derecognition of a financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the cumulative changes in fair value of securities reserve is not reclassified to profit or loss, but is reclassified to retained earnings

3.16.1 Classification as debt or equity

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

3.16.2 Equity instruments

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

3.16.3 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

3.16.4 Other financial liabilities

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

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

3.16.5 Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

3.16.6 Dividend distribution

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

4.1 Critical accounting judgements

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

4.1.1 Classification of investments

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

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

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

4.1.2 Classification of properties

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

4.1.3 Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test (please see financial assets sections of Note 2.1). The Company determines the business model at a level that reflects how Companys of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the years presented.

4.2 Key sources of estimation uncertainty

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

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

4.2 Key sources of estimation uncertainty (continued)

4.2.1 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Calculation of loss allowance

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

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

4.2.3 Liability adequacy test

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

4.2.4 Valuation of unquoted equity instruments

Valuation of unquoted equity investments is done by independent external valuer normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, or other valuation models. In the absence of an active market for these investments or any recent transactions that could provide evidence of the current fair value, management estimates the fair value of these instruments using net assets valuation method or other valuation models.

4.2.5 Depreciation of property and equipment

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

4.2.6 Impairment of intangible assets

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

5. Property and equipment

	Decoration and office improvements AED	Furniture and office equipment AED	Right-of-use assets-building	Total AED
Cost				
At 31 December 2017	1,720,475	3,399,875	-	5,120,350
Additions during the year	-	251,258	-	251,258
31 December 2018	1,720,475	3,651,133		5,371,608
Right of use recognised on adoption of IFRS 16	-	-	4,808,292	4,808,292
Additions during the year	-	264,886	-	264,886
Disposals during the year	-	(75,000)	-	(75,000)
At 31 December 2019	**1,720,475**	**3,841,019**	**4,808,292**	**10,369,786**
Accumulated depreciation				
At 31 December 2017	1,719,990	2,266,800	-	3,986,790
Charge for the year	485	402,858	-	403,343
At 31 December 2018	1,720,475	2,669,658	-	4,390,133
Charge for the year	-	451,713	961,658	1,413,371
At 31 December 2019	**1,720,475**	**3,121,371**	**961,658**	**5,803,504**
Carrying amount				
At 31 December 2019		**719,648**	**3,846,634**	**4,566,282**
At 31 December 2018	-	981,475	-	981,475

6. Intangible assets

	Computer software AED
Cost	
At 31 December 2017	531,760
Additions during the year	117,696
At 31 December 2018	649,456
Additions during the year	34,040
At 31 December 2019	**683,496**
Accumulated amortization	
At 31 December 2017	93,615
Charge for the year	142,533
At 31 December 2018	236,148
Charge for the year	165,237
At 31 December 2019	**401,385**
Carrying amount	
At 31 December 2019	**282,111**
At 31 December 2018	413,308

7. Investment properties

	2019 AED	2018 AED
Fair value at the beginning of the year	**54,698,150**	55,984,500
Changes in fair value	**(268,150)**	(1,286,350)
Fair value at the end of the year	**54,430,000**	54,698,150

The fair value of the Company's investment properties as at 31 December 2019 has been arrived at on the basis of valuations carried by independent external valuers who have appropriate market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the acceptable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Investment properties include properties mortgaged to Ministry of Economy and Commerce, U.A.E. amounting to AED 25.6 million (2018: AED 24.4 million) in accordance with the requirements of U.A.E. Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organisation of its operations (Note 9) and certain investment properties amounting to AED 17.6 million (2018: AED 16.7 million) mortgaged to a bank against credit facility granted to the Company (Note 18).

7. Investment properties (continued)

The Company's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2019 (2018: Level 3).

The property rental income earned by the Company from its investment properties and the direct operating expenses related to the investment properties are as follows:

	2019 AED	2018 AED
Rental income	**2,832,734**	2,915,186
Direct operating expenses	**(45,375)**	(27,134)
Income from investment properties (Note 20)	**2,787,359**	2,888,052

Details of the Company's investment properties and their fair values are as follows:

	2019 AED	2018 AED
Plots of land located in Sharjah, U.A.E	**5,970,000**	6,106,150
Shops located in Sharjah, U.A.E	**43,200,000**	41,095,000
Villas located in Sharjah, U.A.E	**2,400,000**	2,985,000
Building located in Sharjah, U.A.E.	**2,860,000**	4,512,000
	54,430,000	54,698,150

8. Financial investments

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

8.1 Financial investments designated at FVOCI

	2019 AED	2018 AED
Quoted securities	**88,715,296**	100,639,949
Unquoted securities	**2,418,950**	8,307,647
	91,134,246	108,947,596

Financial investments at FVOCI with fair value of AED 10.36 million (2018: AED 9.40 million) are pledged to the bank against credit facility granted to the Company (see Note 18).

8. Financial investments (continued)

8.1 Financial investments designated at FVOCI (continued)

The geographical classification of the investments is as follows:

	2019 AED	2018 AED
Within U.A.E.	**66,296,646**	76,277,102
In other GCC countries	**24,837,600**	32,670,494
	91,134,246	108,947,596

8.2 Financial investments at FVTPL

	2019 AED	2018 AED
Quoted securities in U.A.E.	**13,259,414**	12,016,325
Quoted securities in other GCC countries	**2,425,289**	-
	15,684,703	**12,016,325**

The movements in financial investments are as follows:

	At FVOCI		At FVTPL	
	2019 AED	2018 AED	**2019 AED**	2018 AED
At 31 December	**108,947,596**	136,675,278	**12,016,325**	32,684,234
Purchased during the year	**3,758,665**	10,987,970	**19,991,419**	7,133,867
Disposals during the year	**(13,083,180)**	(16,989,385)	**(16,437,594)**	(22,835,412)
Change in fair value	**(8,488,835)**	(21,726,267)	**114,553**	(4,966,364)
At 31 December	**91,134,246**	108,947,596	**15,684,703**	12,016,325

Disclosure as required by the circular No. 411/2018 dated 7 July 2018: At reporting date, the Company does not have any investment in securities with Abraaj Group.

9. Statutory deposit

In accordance with the requirements of Federal Law No. 6 of 2007, on Establishment of Insurance Authority of U.A.E. and Organisation of its operations, the Company maintains a bank deposit of AED 5,000,000 (31 December 2018: AED 5,000,000) as a statutory deposit. In addition to the fixed deposit, there are investment properties with a fair value amounting to AED 25.6 million (2018: AED 24.4 million) pledged to the Ministry of Economy and Commerce (see note 7).

10. Insurance contract liabilities and reinsurance contract assets

	2019 AED	2018 (Restated) AED
Gross		
Insurance contract liabilities		
Claims reported unsettled	**36,168,292**	55,141,402
Unallocated loss adjustment exposure reserve	**2,271,814**	1,217,372
Unexpired risk reserve	**1,599,496**	821,355
Claims incurred but not reported	**12,751,000**	9,887,386
Unearned premium	**14,705,214**	20,336,515
Total insurance contract liabilities, gross	**67,495,816**	87,404,030
Recoverable from reinsurers		
Re-insurance contract assets		
Claims reported unsettled	**25,816,225**	42,188,475
Unexpired risk reserve	**(184,284)**	(28,359)
Claims incurred but not reported	**5,300,637**	390,162
Unearned premium	**5,340,717**	9,263,873
Total reinsurers' share of insurance liabilities	**36,273,295**	51,814,151
Net		
Claims reported unsettled	**10,352,067**	12,952,927
Unallocated loss adjustment exposure reserve	**2,271,814**	1,217,372
Unexpired risk reserve	**1,783,780**	849,714
Claims incurred but not reported	**7,450,363**	9,497,224
Unearned premium	**9,364,497**	11,072,642
	31,222,521	35,589,879

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

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

	2019 Gross AED	2019 Reinsurance AED	2019 Net AED	2018 (restated) Gross AED	2018 (restated) Reinsurance AED	2018 (restated) Net AED
Claims reported unsettled	55,141,402	(42,188,475)	12,952,927	63,869,721	(48,019,684)	15,850,037
Unallocated loss adjustment expense reserve	1,217,372	-	1,217,372	1,325,029	-	1,325,029
Incurred but not reported	9,887,386	(390,162)	9,497,224	12,982,787	(6,533,721)	6,449,066
Total at the beginning of the year	66,246,160	(42,578,637)	23,667,523	78,177,537	(54,553,405)	23,624,132
Claims settled in the year	(37,375,964)	21,708,011	(15,667,953)	(19,783,562)	6,543,665	(13,239,897)
Increase in liabilities	22,320,910	(10,246,236)	12,074,674	7,852,185	5,431,103	13,283,288
Total at the end of the year	51,191,106	(31,116,862)	20,074,244	66,246,160	(42,578,637)	23,667,523
Claims reported unsettled	36,168,292	(25,816,225)	10,352,067	55,141,402	(42,188,475)	12,952,927
Unallocated loss adjustment expense reserve	2,271,814	-	2,271,814	1,217,372	-	1,217,372
Incurred but not reported	12,751,000	(5,300,637)	7,450,363	9,887,386	(390,162)	9,497,224
Total at the end of the year	51,191,106	(31,116,862)	20,074,244	66,246,160	(42,578,637)	23,667,523
Unearned premium and unexpired risk reserve						
Total at the beginning of the year	21,157,870	(9,235,514)	11,922,356	20,509,333	(7,744,435)	12,764,898
Increase during the year	16,304,710	(5,156,433)	11,148,277	21,157,870	(9,235,514)	11,922,356
Release during the year	(21,157,870)	9,235,514	(11,922,356)	(20,509,333)	7,744,435	(12,764,898)
Net (decrease)/increase during the year (Note 19)	(4,853,160)	4,079,081	(774,079)	648,537	(1,491,079)	(842,542)
Total at the end of the year	16,304,710	(5,156,433)	11,148,277	21,157,870	(9,235,514)	11,922,356

11. Insurance and other receivables

	2019 AED	2018 AED
Receivables arising from insurance and reinsurance contracts		
Due from policyholders	**18,209,208**	32,466,946
Due from local insurance companies	**32,275,392**	39,295,190
Due from foreign insurance companies	**16,956,516**	17,974,272
Due from brokers	**518,236**	558,535
Less: Allowance for impairment of financial assets	**(32,832,896)**	(35,999,395)
	35,126,456	54,295,548
Other receivables		
Prepayments and others	**2,864,533**	2,929,016
	37,990,989	57,224,564

The Company has adopted a policy of dealing with credit worthy counter parties. Adequate credit assessment is made before accepting any insurance contracts from any counter party. The average credit period is 120 days.

The Company writes off an insurance receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings etc.

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer.

The Company always measures the loss allowance for receivables at an amount equal to lifetime ECL. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Ageing of insurance receivables:

	2019 AED	2018 AED
0 - 90 days	**6,569,441**	4,499,031
91 - 180 days	**2,986,890**	7,401,492
181 - 270 days	**4,144,161**	9,555,405
Above 271 days	**54,258,860**	68,839,015
	67,959,352	90,294,943
Less: Allowance for impairment of financial assets	**(32,832,896)**	(35,999,395)
	35,126,456	54,295,548

11. Insurance and other receivables (continued)

Movements in allowance for impairment of financial assets

	2019 AED	2018 AED
Balance at beginning of the year	**35,999,395**	20,237,969
Initial application of IFRS 9	**-**	13,498,740
Balance at 1 January 2018	**35,999,395**	33,736,709
Impairment loss made during the year	**-**	2,262,686
Reversal of impairment	**(3,166,499)**	-
Balance at the end of the year	**32,832,896**	35,999,395

12. Bank balances and cash

	2019 AED	2018 AED
Fixed deposits	**27,500,000**	27,359,222
Cash on hand	**79,268**	80,952
Portfolio accounts	**612,348**	612,308
Current and call accounts	**21,550,381**	7,279,432
	49,741,997	35,331,914
Less: Provision for impairment	**(217,924)**	(217,924)
	49,524,073	35,113,990

Fixed deposits amounting to AED 7,500,000 (2018: AED 2,500,000) are under lien against credit facilities granted to the Company (Note 18).

The interest rate on fixed deposits with banks is 2.6% to 3.25% (2018: 2% to 3.5%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

Bank balances and cash are held:

	2019 AED	2018 AED
Within U.A.E.	**39,144,723**	28,469,891
Outside U.A.E	**10,379,350**	6,644,099
	49,524,073	35,113,990

Summary of deposits with banks:

	2019 AED	2018 AED
Fixed deposits	**27,500,000**	27,359,222
Provision for impairment	**(73,018)**	(73,018)
	27,426,982	27,286,204

12. Bank balances and cash (continued)

Details of provision for impairment is mentioned below:

	2019 AED	2018 AED
Balance at beginning of the year	**217,924**	66,461
Provided during the year	**-**	151,463
Balance at the end of the year	**217,924**	217,924

	2019 AED	2018 AED
Cash and cash equivalents	**144,906**	144,906
Deposits with banks	**73,018**	73,018
	217,924	217,924

13. Share capital

	2019 AED	2018 AED
Authorized, issued and fully paid: 137.5 million ordinary shares of AED 1 each (2018: 137.5 million ordinary shares of AED 1 each)	**137,500,000**	137,500,000

14. Reserves

14.1 Statutory reserve

In accordance with UAE Federal Law No. (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

14.2 Voluntary reserve

As per Articles of association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilized for any other purpose unless approved by the Ordinarily General meeting. No transfer to voluntary reserve is made during 2018 and 2019.

15. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2019 AED	2018 AED
Balance at the beginning of the year	**1,695,242**	1,487,478
Amounts charged to income during the year	**239,033**	216,887
Amounts paid during the year	**(162,153)**	(9,123)
	1,772,122	1,695,242

16. Insurance and other payables

	2019	2018
	AED	AED
Payables arising from insurance and reinsurance contracts:		
Trade payables	**12,466,500**	10,931,960
Due to local insurance companies	**2,367,958**	3,812,784
Due to foreign insurance companies	**4,772,585**	14,175,946
Due to brokers	**67,481**	68,031
Premium reserve withheld	**4,079,499**	3,912,259
	23,754,023	32,900,980
Other payables		
Accrued expenses and provisions	**1,429,443**	1,585,861
Unclaimed dividend	**2,381,589**	2,381,589
	27,565,055	36,868,430

17. Leases

Lease liabilities are presented in the statement of financial position as follows:

	2019	2018
	AED	AED
Current	**1,024,214**	-
Non-current	**3,324,841**	-
	4,349,055	-

The company has a building leases recognised as right-of use assets with lease term of 5 years.

The Company's future minimum operating lease payments are as follows:

	Within 1 year	1-5 years	After 5 years	Total
December 31, 2019	**AED**	**AED**	**AED**	**AED**
Lease Payments	**1,176,620**	**3,529,860**	**-**	**4,706,480**
Finance Charges	**(152,406)**	**(205,019)**	**-**	**(357,425)**
Net present value	**1,024,214**	**3,324,841**	**-**	**4,349,055**
December 31, 2018				
Lease Payments	-	-	-	-
Finance Charges	-	-	-	-
Net present value	-	-	-	-

18. Bank overdrafts

The bank overdraft facilities are secured by lien over fixed deposit of AED 7.5 million (2018: AED 2.5) (Note 12), pledge over investments designated at FVOCI having a fair value of AED 10.3 million (2018: AED 9.4 million) (Note 8.1) and mortgage over certain investment properties amounting to AED 17.6 million (2018: AED 16.7 million) (Note 7).

The bank overdraft facilities are subject to certain covenants including the maintenance of leverage ratio and minimum networth which are met at the end of the reporting period. Bank overdrafts are utilised for Company's operational activities and the net movement during the year amounted to AED 5,475,399 (decrease) (2018: AED 17,324,991 (decrease)).

19. Net insurance premium revenue

	2019	2018
	AED	AED
Gross premium written		
Gross premium written	**43,673,317**	52,956,236
Change in unearned premium (Note 10)	**4,853,160**	(648,537)
	48,526,477	52,307,699
Reinsurance premium ceded		
Reinsurance premium ceded	**(18,698,909)**	(23,627,049)
Change in unearned premium (Note 10)	**(4,079,081)**	1,491,079
	(22,777,990)	(22,135,970)
Net insurance premium revenue	**25,748,487**	30,171,729

20. Investment and other income

	2019	2018
	AED	AED
Gain from disposal of financial investments at FVTPL	**1,792,433**	4,230,210
Unrealised loss on financial investments at FVTPL	**114,553**	(4,966,364)
Dividend from financial investments at FVTPL	**254,996**	1,578,736
Dividend from financial investments at FVOCI	**5,098,338**	5,517,296
Income from investment properties (Note 7)	**2,787,359**	2,888,052
Other investment income/(expenses)	**(292,476)**	2,957,354
Interest on bank deposits	**1,038,237**	1,093,604
	10,793,440	13,298,888
Other expenses- net	**-**	(9,146)
	10,793,440	13,289,742

21. Profit for the year

Profit for the year has been arrived at after charging the following expenses:

	2019 AED	2018 AED
Staff costs	**8,183,046**	7,764,912
Depreciation of property and equipment	**1,413,371**	403,343
Amortization of intangible assets	**165,237**	142,533

No social contributions made during the year (2018: Nil).

During the year ended 31 December 2018, the other income relating to underwriting activities included a portion of the commission earned in previous year but adjusted in 2018.

22. Basic and diluted earnings per share

	2019	2018
Profit for the year (in AED)	**14,725,176**	16,369,938
Weighted average number of shares	**137,500,000**	137,500,000
Basic and diluted earnings per share (in AED)	**0.11**	0.12

Basic and diluted earnings per share have been calculated by dividing the profit for the year by the weighted average number of shares outstanding at the end of the reporting period. Diluted earnings per share as of 31 December 2019 and 31 December 2018 are equivalent to basic earnings per share as the Company did not issue any new instrument that would impact earnings per share when executed.

23. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks net of fixed deposits in banks with maturity over three months. Cash and cash equivalents at the end of the year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	2019 AED	2018 AED
Bank balances and cash (see Note 12)	**49,524,073**	35,113,990
Fixed deposit with maturity over 3 months (see Note 12)	**(27,426,982)**	(27,286,204)
Cash and cash equivalents	**22,097,091**	7,827,786

24. Related party transactions

Related parties include the Company's major Shareholders, Directors and businesses controlled by them and their families over which they exercise significant management influence as well as key management personnel.

At the end of the reporting period, amounts due from/to related parties included under due from policyholders and gross outstanding claims were as follows:

	2019 AED	2018 AED
Due from policyholders	**1,057,211**	1,590,427
Due to policyholders	**47,602**	277,781
Outstanding claims	**157,810**	640,150
Overdraft with a bank	**-**	5,476,887

The amounts outstanding are unsecured and will be settled in cash.

Transactions:

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

	2019 AED	2018 AED
Gross premium written	**1,817,009**	1,969,926
Claims paid	**1,087,514**	570,366
Rent paid	**745,000**	745,000

The Company has entered into above transactions with related parties which were made on substantially the same terms, as those prevailing at the same time for comparable transactions with third parties

24. Related party transactions (continued)

Compensation of board of directors/key management personnel

	2019 AED	2018 AED
Short-term benefits	**1,035,000**	660,000
Long-term benefits	**20,298**	25,000

25. Contingent liabilities and capital commitments

	2019 AED	2018 AED
Letters of guarantee	**-**	-
Capital commitments towards intangible assets	**-**	-

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

26. 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.

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

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

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

26. Insurance risk (continued)

26.1 Frequency and severity of claims

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

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 200,000 in any one motor policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once 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.

26.2 Sources of uncertainty in the estimation of future claim payments

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

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

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

26. Insurance risk (continued)

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

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 initial estimate of the loss ratios used for the current year (before reinsurance) are analyzed below by type of risk where the insured operates for current and prior year premiums earned.

Type of risk	**2019**	2018
Motor	**40-45%**	45-50%
Non-motor	**10-15%**	25-30%

26.3 Process used to decide on assumptions

The risks associated with these 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 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 groups of accident years within the same class of business.

Substantially all of the Company's underwriting activities are carried out in the United Arab Emirates.

26.4 Reinsurance risk

In common with other insurance companies, in order to minimize 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 minimize 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

. **26. Insurance risk** (continued)

26.5 Sensitivity of underwriting profit and losses

The contribution by the insurance operations is a profit of AED 5 million for the year ended 31 December 2019 (2018: profit of AED 11 million). The Company does not foresee any major impact from insurance operations to the Company's results and expects to increase the contribution by insurance operations to the profitability due to the following reasons:

The Company has an overall retention level of 60% (2018: 53%) and the same is mainly contributed by one class of business i.e., Motor line wherein the retention level is high. However, in this class, the risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

The Company earns a net commission and other underwriting income of AED 3.5 million (2018: AED 5.6 million). These commissions arise primarily from the reinsurance placements and are a consistent and recurring source of income.

27. Capital risk management

The Company's objectives when managing capital are:

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

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

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

	2019 AED	2018 AED
Total capital held	**137,500,000**	137,500,000
Minimum regulatory capital	**100,000,000**	100,000,000

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

Further, as per Article (8) of section (2) of financial regulations issued for insurance companies in U.A.E., the Company shall at all times comply with the requirements of solvency margin. As of 31 December 2019, the Company has complied with the requirements of solvency margin

27. Capital risk management (continued)

27.1 Gearing ratio

The Company reviews the capital structure on a regular basis. As part of this review, the Company considers the cost of capital and the risks associated with capital.

The gearing ratio at the year end was as follows:

	2019 AED	2018 AED
Debt (i)	-	5,475,399
Bank balances and cash (Note 12)	(49,524,073)	(35,113,990)
Net debt	(49,524,073)	(29,638,591)
Shareholders' funds (ii)	193,703,651	194,766,458
Net debt to equity ratio	Favorable	Favorable

(i) Debt is defined as bank overdrafts (Note 18).
(ii) Shareholders' funds includes share capital, statutory reserve, voluntary reserve, cumulative changes in fair value of financial investments designated at FVOCI and retained earnings.

28. Financial instruments

The Company is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. In particular, the key financial risk is that in the long-term its investment proceeds are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

28.1 Significant accounting policies

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

28. Financial instruments (continued)

28.2 Categories of financial instruments

	2019	2018
	AED	AED
Financial assets		
Financial investments designated at FVOCI	**91,134,246**	108,947,596
Financial investments at FVTPL	**15,684,703**	12,016,325
Statutory deposit at amortised cost	**5,000,000**	5,000,000
Insurance and other receivables at amortised cost (excluding prepayments)	**37,303,557**	56,534,833
Deposits with banks at amortised costs	**27,426,982**	27,286,204
Bank balances and cash	**22,097,091**	7,827,786
Total	**198,646,579**	217,612,744
Financial liabilities at amortised cost		
Insurance and other payables	**27,565,055**	36,868,430
Bank overdrafts	**-**	5,475,399
Total	**27,565,055**	42,343,829

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

28.3 Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices at the close of the business on the reporting date.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instrument

28. Financial instruments (continued)

28.3 Fair value measurements (continued)

	Fair value as at 31 December 2019 AED	31 December 2018 AED	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable input	Relationship of unobservable inputs to fair value
Investment designated at FVOCI						
Quoted equity securities	**88,715,296**	100,639,949	Level 1	Quoted bid prices in an active market.	None	N/A
Unquoted equity securities	**2,418,950**	8,307,647	Level 3	Net assets valuation method.	Net asset value	Higher the net assets, value of the investees, higher the fair value.
Investment at FVTPL						
Quoted equity Securities	**15,684,703**	12,016,325	Level 1	Quoted bid prices in an active market.	None	N/A

Movement in unquoted equity securities represents foreign exchange variation and change in fair value.

28.4 Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

28.5 Foreign currency risk

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

28.6 Credit risk

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

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

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

28. Financial instruments (continued)

28.6 Credit risk (continued)

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

Reinsurance is used to manage insurance risk. This does not, however, discharge the Company's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Company remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalization 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 collected within the ongoing monitoring of the controls. Where there exists significant exposure to individual policyholders, or homogenous groups of policyholders, a financial analysis equivalent to that conducted for reinsurers is carried out by the Company.

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

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

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

	2019	2018
	AED	AED
Europe	**6,277,535**	7,675,405
Other Arab countries	**8,882,437**	9,338,303

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

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

28. Financial instruments (continued)

28.7 Liquidity risk

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

The table below summarizes the maturity profile of the Company's financial instruments. The contractual maturities of the financial instruments have been determined on the basis of the remaining period at the reporting date to the contractual maturity date. The maturity profile is monitored by management to ensure adequate liquidity is maintained. The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than 30 days AED	31-90 days AED	91-180 days AED	181 - 365 days AED	Above 365 days AED	Total AED
31 December 2019						
Financial assets						
Investments designated at FVOCI	-	-	-	91,134,246	-	91,134,246
Financial investment at FVTPL	15,684,703	-	-	-	-	15,684,703
Statutory deposit	-	-	-	-	5,000,000	5,000,000
Insurance and other receivables	5,166,086	2,446,230	2,508,505	15,849,193	11,333,543	37,303,557
Bank balances and cash – non interest bearing	22,097,091	-	-	-	-	22,097,091
Bank balances and cash – interest bearing	-	-	-	-	27,426,982	27,426,982
	42,947,880	2,446,230	2,508,505	106,983,439	43,760,525	198,646,579
Financial liabilities						
Insurance and other payables	11,577,467	1,368,968	1,497,311	1,967,381	11,153,928	27,565,055
Bank overdrafts	-	-	-	-	-	-
	11,577,467	1,368,968	1,497,311	1,967,381	11,153,928	27,565,055

28. Financial instruments (continued)

28.7 Liquidity risk (continued)

31 December 2018	Less than 30 days AED	31-90 days AED	91-180 days AED	181 - 365 days AED	Above 365 days AED	Total AED
Financial assets						
Investments designated at FVOCI	-	-	-	108,947,596	-	108,947,596
Financial investment at FVTPL	12,016,325	-	-	-	-	12,016,325
Statutory deposit	-	-	-	-	5,000,000	5,000,000
Insurance and other receivables	10,000,000	12,000,000	12,000,000	22,534,833	-	56,534,833
Bank balances and cash – non interest bearing	7,827,786	-	-	-	-	7,827,786
Bank balances and cash – interest bearing	-	-	-	-	27,286,204	27,286,204
	29,844,111	12,000,000	12,000,000	131,482,429	32,286,204	217,612,744
Financial liabilities						
Insurance and other payables	7,000,000	7,000,000	7,000,000	15,868,430	-	36,868,430
Bank overdrafts	-	5,475,399	-	-	-	5,475,399
	7,000,000	12,475,399	7,000,000	15,868,430	-	42,343,829

28.8 Interest risk

The Company's exposure to interest rate risk relates to its bank deposits and overdrafts. At 31 December 2019, bank deposits carried interest at the range of 0.55% to 3.80% per annum (2018: 2% to 3.5% per annum) and bank overdraft carried interest rate at the range of 4.75% to 6% per annum (2018: 4.75% to 6% per annum).

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2019 and equity as at 31 December 2019 would increase/decrease by approximately AED nil (2018: AED 141,000).

The Company's sensitivity to interest rates has not changed significantly from the prior year.

28.9 Equity price risk

28.9.1 Sensitivity analysis

At the end of the reporting period, if the equity prices are 10% higher/lower as per the assumptions mentioned below and all the other variables were held constant, the Company's:

- profit for the year would have increased/decreased by AED 1.57 million (2018: AED 1.2 million).
- other comprehensive income/(loss) and equity would have increased/decreased by AED 9.1 million (2018: AED 10.9 million).

28. Financial instruments (continued)

28.9 Equity price risk (continued)

28.9.2 Method and assumptions for sensitivity analysis

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

29. Segment information

The Company is organised into two segments: Underwriting and investments. Underwriting segment incorporates accident and liabilities insurance, fire insurance, marine insurance and other classes of insurance. Investments segment includes investments inside and outside U.A.E. marketable equity securities, term deposits with banks and investment properties.

These segments are the basis on which the Company reports its primary segment information to the Managing Director.

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

Segmental information is presented below:

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

29. Segment information (continued)

31 December 2019	Underwriting (AED)					Investments	Total
	Accident and liabilities	Fire	Marine	Others	Total	AED	AED
Segment revenue – gross	39,160,170	7,458,111	1,378,563	529,633	48,526,477	-	48,526,477
Segment result (net)	3,843,124	731,259	(2,973)	233,508	4,804,918	10,525,290	15,330,208
Unallocated costs – net							(605,032)
Profit for the year							14,725,176
Segment assets					79,264,284	188,675,931	267,940,215
Unallocated assets							26,945,484
Total assets							294,885,699
Segment liabilities					92,679,282	-	92,679,282
Unallocated liabilities							8,502,766
Total liabilities							101,182,048

There are no transactions between the business segments.

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

29. Segment information (continued)

31 December 2018	Underwriting (AED)					Investments	Total
	Accident and liabilities	**Fire**	**Marine**	**Others**	**Total**	**AED**	**AED**
Segment revenue – gross	40,882,702	8,765,514	1,382,613	1,276,870	52,307,699	-	52,307,699
Segment result (net)	7,148,291	2,979,556	458,893	413,150	10,999,890	12,003,392	23,003,282
Unallocated costs – net							(6,633,344)
Profit for the year							16,369,938
Segment assets (restated)					114,038,715	202,948,275	316,986,990
Unallocated assets							9,222,569
Total assets (restated)							326,209,559
Segment liabilities (restated)					127,366,270	-	127,366,270
Unallocated liabilities							4,076,831
Total liabilities (restated)							131,443,101

There are no transactions between the business segments.

30. Dividend

At the Annual General Meeting held on 22 April 2019, Shareholders approved a cash dividend of AED 9.625 million (AED 0.7 fils per share) for the year 2018 (2018: AED 9.6 million, AED 0.7 fils per share for 2017). Shareholders also approved Board of Directors remuneration of AED 900,000 for 2018 (AED 450,000 for 2017).

The Board of Directors propose that a dividend of AED 7 fils per share amounting to AED 9.625 million for 2019 to be paid to the shareholders in 2020. Further, the Board of Directors propose remuneration of AED 550,000 (2018: AED 0.9 million) for 2019. These are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

31. Restatements

The table below shows the restatements for the line items affected in the condensed interim financial position.

	As previously reported AED	Restated AED	As currently reported AED
At 31 December 2018			
Statement of financial position			
Reinsurance contract assets	**58,056,134**	**(6,241,983)**	**51,814,151**
Insurance contract liabilities	**93,646,013**	**(6,241,983)**	**87,404,030**
Gross claims incurred	**14,094,168**	**(6,241,983)**	**7,852,185**
Reinsurance share of claims incurred	**810,880**	**(6,241,983)**	**(5,431,103)**

The restatement is due to gross claims reported unsettled as at 31 December 2018 which was overstated by AED 6.2 million and recoverable claims unsettled as at 31 December 2018 was overstated by AED 6.2 million. The restatement have no impact on net profit.

32. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 3 March 2020.