United Fidelity Insurance Company

(Public Shareholding Company)
[Formerly known as United Insurance Company]

Financial Statements
For the year ended 31 December 2019

Grant Thornton
An instinct for growth™

Grant Thornton
United Arab Emirates
Rolex Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925
F +971 4 388 9915

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company P.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of United Fidelity Insurance Company P.S.C. (formerly known as United Insurance Company) (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 for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 February 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the 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. For each matter on the next page, our description of how our audit addressed the matter is provided in that context.

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

Grant Thornton
An instinct for growth™

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions

The estimation of liabilities arising from insurance contracts such as unearned premium reserve, premium deficiency reserve, claims under settlement reserve, incurred but not reported reserve and unallocated loss adjustment expense reserve as disclosed in note 21 to the financial statements, involves a significant degree of judgement. These liabilities are based on the pattern of risk distributions over coverage period, 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, mortality and persistency (including consideration of policyholder behaviour). 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 was significant to our audit.

We assessed management's calculations of the technical reserves by performing the following procedures:

- Understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework;
- We tested the underlying company data to source documentation;
- Using our actuarial specialist team members, we applied our industry knowledge and experience, and compared the methodology, models and assumptions used against recognised actuarial practices; and
- Using our actuarial specialist team members, we checked the mathematical accuracy of the methodology applied on selected classes of business, particularly focusing on the largest and most uncertain reserves.

ii) Impairment losses on insurance receivables including third party recoveries

The Company has insurance receivables that are overdue and not impaired (as disclosed in note 14 to the financial statements). The key associated risk is the recoverability of receivables. Management's related provision is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

The work that we performed to address this key audit matter included the following procedures:

- We compared the historical provision for bad debts to the actual amounts written off, to determine whether management's estimation techniques were reasonable;

Grant Thornton
An instinct for growth™

Independent Auditor's Report
To the Shareholders of United Fidelity Insurance Company P.S.C. (continued)
Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

ii) Impairment losses on insurance receivables including third party recoveries (continued)

- We considered the adequacy of provisions for bad debts for significant customers, taking into account specific credit risk assessments for each customer based on time past due, the existence of any disputes over the balance outstanding, the history of settlement of receivables and the existence of any liabilities with the same counterparties which reduce the net exposure; and
- We discussed with management and reviewed correspondence, where relevant, to identify any disputes and assessed whether appropriately considered in the bad debt provision.

iii) Valuation of investment properties

Company holds investment properties under the fair value model as at 31 December 2019 amounting to AED 52,827,660 (2018: AED 53,750,000), as detailed in note 10. 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 the independent valuer to understand the basis of valuation for each property and other judgements used in performing the valuation;
- Assessing the competence, capabilities, and objectivity of external valuers;
- Assessing the appropriateness of the key assumptions and methodologies used; and
- We involved our own valuation specialist to assist us in performing our procedures in this area.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Grant Thornton
An instinct for growth™

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and 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.

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 ISA 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 ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report

To the Shareholders of United Fidelity Insurance Company P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Grant Thornton
An instinct for growth™

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

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

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

i) the Company has maintained proper books of account;

ii) we have obtained all the information and explanations we considered necessary for the purposes of our audit;

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

iv) the financial information included in the Directors' Report, in so far as it relates to these financial statements, is consistent with the books of account of the Company;

v) note 11 to the financial statements discloses purchase of shares by the Company during the year ended 31 December 2019;

vi) note 24 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

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

viii) note 7 to the financial statements reflects the social contributions made during the year.

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

Grant Thornton

Grant Thornton Public Accountants P.O. Box: 1620 DUBAI-U.A.E.

GRANT THORNTON

Farouk Mohamed
Registration No: 86
Dubai, 11 February 2020

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

STATEMENT OF INCOME
For the year ended 31 December 2019

	Notes	2019 AED	2018 AED
UNDERWRITING INCOME			
Gross premium	3	**221,302,926**	146,245,633
Movement in provision for unearned premium	3	**(29,125,097)**	(39,662,962)
Movement in premium deficiency reserve	3	**(517,192)**	1,406,140
Insurance premium revenue	3	**191,660,637**	107,988,811
Reinsurance share of premium	3	**(115,517,251)**	(78,381,473)
Movement in provision for reinsurance share of unearned premium	3	**8,173,344**	18,590,025
Reinsurance share of premium revenue	3	**(107,343,907)**	(59,791,448)
Net insurance premium revenue		**84,316,730**	48,197,363
Reinsurance commission income	22	**8,029,231**	3,852,252
Other income		**52,167**	39,337
Total underwriting income		**92,398,128**	52,088,952
UNDERWRITING AND OTHER EXPENSES			
Claims incurred	4	**(112,331,642)**	(70,383,465)
Reinsurers' share of claims incurred	4	**74,664,078**	44,531,290
Net claims incurred	4	**(37,667,564)**	(25,852,175)
Commission expenses including third-party administrator fees	13	**(24,041,305)**	(12,351,067)
Other underwriting expenses		**(1,925,289)**	(4,600,856)
General and administration expenses relating to underwriting activities		**(34,496,537)**	(28,489,443)
Total underwriting and other expenses		**(98,130,695)**	(71,293,541)
NET UNDERWRITING LOSS		**(5,732,567)**	(19,204,589)
Investment income	6	**7,399,185**	9,947,968
General and administration expenses not allocated to underwriting activities		**(254,739)**	(187,098)
PROFIT/(LOSS) FOR THE YEAR	7	**1,411,879**	(9,443,719)
Basic and diluted earnings/(loss) per share (AED)	8	**0.014**	(0.094)

The attached explanatory notes 1 to 26 form part of these financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019 AED**	2018 AED
Profit/(loss) for the year		**1,411,879**	(9,443,719)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods			
Net increase/(decrease) in fair value of available-for-sale investments	11(a)	**5,639,310**	(1,628,401)
Impairment of available for sale investments		-	1,179,874
Net realised gain on disposal of available-for-sale investments transferred to income statement		**(1,200,099)**	(7,113,955)
Other comprehensive income/(loss) for the year		**4,439,211**	(7,562,482)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**5,851,090**	(17,006,201)

The attached explanatory notes 1 to 26 form part of these financial statements.

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	2019 AED	2018 AED
ASSETS			
Property and equipment	9	**11,790,109**	1,798,352
Investment property	10	**52,827,660**	53,750,000
Financial instruments	11	**53,880,080**	44,734,019
Insurance contract assets	21	**88,061,381**	85,770,521
Deferred acquisition costs	13	**15,531,162**	10,046,687
Insurance receivables	14	**61,840,445**	61,324,438
Prepayments and other receivables	15	**4,181,500**	2,050,476
Statutory deposits	16	**6,000,000**	6,000,000
Bank balances and cash	17	**69,327,403**	49,986,925
TOTAL ASSETS		**363,439,740**	315,461,418
EQUITY AND LIABILITIES			
Equity			
Share capital	18	**100,000,000**	100,000,000
Statutory reserve	19	**141,187**	-
General reserve	19	**1,119,524**	1,119,524
Investment revaluation reserve	19	**710,186**	(3,729,025)
Accumulated losses		**(26,194,584)**	(26,991,058)
Total equity		**75,776,313**	70,399,441
Liabilities			
Employees' end of service benefits	20	**1,588,355**	1,207,996
Insurance contract liabilities	21	**180,944,666**	162,903,850
Deferred commission income	22	**4,880,847**	3,309,533
Insurance and other payables	23	**92,999,264**	77,640,598
Lease liability	2.2	**7,250,295**	-
Total liabilities		**287,663,427**	245,061,977
TOTAL EQUITY AND LIABILITIES		**363,439,740**	315,461,418

The financial statements were authorised for issue in accordance with a resolution of the directors on 11 February 2020.

Chairman

Chief Executive Officer

The attached explanatory notes 1 to 26 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2019

	Share capital AED	Statutory reserve AED	General reserve AED	Accumulated losses AED	Investment revaluation reserve AED	Total AED
Balance at 1 January 2019	**100,000,000**	-	**1,119,524**	**(26,991,058)**	**(3,729,025)**	**70,399,441**
Impact of adopting IFRS 16 (Note 2.2)	-	-	-	**(474,218)**	-	**(474,218)**
Transfer to statutory reserve (Note 19)	-	**141,187**	-	**(141,187)**	-	-
Profit for the year	-	-	-	**1,411,879**	-	**1,411,879**
Other comprehensive income	-	-	-	-	**4,439,211**	**4,439,211**
Total comprehensive income for the year	-	-	-	**1,411,879**	**4,439,211**	**5,851,090**
Balance at 31 December 2019	**100,000,000**	**141,187**	**1,119,524**	**(26,194,584)**	**710,186**	**75,776,313**
Balance at 1 January 2018	100,000,000	-	1,119,524	(17,547,339)	3,833,457	87,405,642
Loss for the year	-	-	-	(9,443,719)	-	(9,443,719)
Other comprehensive loss	-	-	-	-	(7,562,482)	(7,562,482)
Total comprehensive loss for the year	-	-	-	(9,443,719)	(7,562,482)	(17,006,201)
Balance at 31 December 2018	100,000,000	-	1,119,524	(26,991,058)	(3,729,025)	70,399,441

The attached explanatory notes 1 to 26 form part of these financial statements.

United Fidelity Insurance Company (Public Shareholding Company)
[Formerly known as United Insurance Company]

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Notes	2019 AED	2018 AED
OPERATING ACTIVITIES			
Profit/(loss) for the year		**1,411,879**	(9,443,719)
Adjustments for:			
Change in fair value of investments-held for trading	11(b)	**-**	(54,972)
Provision for impairment of investment properties	10	**922,340**	2,888,000
Provision for impairment of available for sale securities		**-**	1,179,874
Investment income		**(6,228,343)**	(6,846,915)
Gain on sale of available-for-sale investment		**(2,093,182)**	(7,113,955)
Allowances made for doubtful debts	14	**836,792**	5,349,368
Allowances written back for doubtful debts	14	**(599,696)**	(804,913)
Bad debts written off during the year	14	**4,913,176**	(364,712)
Depreciation on property and equipment	9	**658,141**	570,592
Depreciation on right to use assets	2.2	**833,609**	-
Provision for employees' end of service benefits	20	**492,761**	169,498
Property and equipment write off		**2,704**	133,804
(Gain)/loss on disposal of property and equipment		**(3,083)**	4,381
Interest expense on lease liability		**319,103**	-
		1,466,201	(14,333,669)
Changes in operating assets and liabilities:			
Insurance contract assets		**(2,290,860)**	(6,398,961)
Deferred acquisition costs		**(5,484,475)**	(5,341,760)
Insurance receivables		**(5,666,279)**	(34,694,288)
Prepayments and other assets		**(2,131,024)**	290,131
Insurance contract liabilities		**18,040,816**	30,266,016
Deferred commission income		**1,571,314**	1,849,414
Insurance and other payables		**15,358,666**	13,764,703
Cash generated from/(used in) operating activities		**20,864,359**	(14,598,414)
Employees' end of service benefits paid	20	**(112,402)**	(216,740)
Net cash generated from/(used in) operating activities		**20,751,957**	(14,815,154)
INVESTING ACTIVITIES			
Net movement in fixed deposits		**279,861**	(31,510,588)
Purchase of property and equipment		**(3,881,368)**	(1,005,967)
Proceeds from disposal of investment held for trading		**-**	57,475
Proceeds from disposal of available-for-sale investments		**6,369,193**	29,280,055
Purchase of available-for-sale investments		**(8,982,861)**	(46,247,040)
Interest received		**1,435,859**	1,296,208
Income from investment properties received		**2,104,667**	2,589,563
Dividend received		**2,687,817**	2,930,054
Proceeds from disposal of property and equipment		**9,000**	2,218
Net cash generated from/(used in) investing activities		**22,168**	(42,608,022)
FINANCING ACTIVITY			
Interest paid on lease liability		**(319,103)**	-
Payment of lease liability		**(834,683)**	-
Net cash used in financing activity		**(1,153,786)**	-
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**19,620,339**	(57,423,176)
Cash and cash equivalents at 1 January		**18,476,337**	75,899,513
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	17	**38,096,676**	18,476,337

The attached explanatory notes 1 to 26 form part of these financial statements.

1 CORPORATE INFORMATION

United Fidelity Insurance Company (Public Shareholding Company) (the "Company"), formerly known as United Insurance Company, is a public shareholding company, registered in the Emirate of Ras Al Khaimah by Emiri decree No. 13/76 issued by the ruler of Ras Al Khaimah on 15 June 1976, which was amended by the Emiri decree No. 10/77 issued on 15 December 1977. The Company is subject to the regulations of the UAE Federal Law No. (2) of 2015 and the UAE Federal Law No. (6) of 2007 relating to commercial companies in the UAE, and is registered in the Insurance Companies Register of Insurance Authority of U.A.E. under registration number 8.

The Company is domiciled in the United Arab Emirates and the address of the Company's registered office is P.O. Box 1010, Ras Al Khaimah, United Arab Emirates. The Company's ordinary shares are listed on Abu Dhabi Securities Exchange, United Arab Emirates.

The principal activity of the Company is the writing of all classes of general and life insurance. The Company operates through its Head Office in Dubai and branch offices in Abu Dhabi, Ras Al Khaimah, Sharjah and Fujairah.

On 4 November 2018, the Company changed its name from United Insurance Company to United Fidelity Insurance Company (PSC).

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention
The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets and investment properties which are carried at fair value. The financial statements have been presented in UAE Dirhams (AED) except when otherwise indicated.

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

Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and applicable requirements of United Arab Emirates Laws.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New standards and interpretations effective after 1 January 2019
The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below.

IFRS 16 Leases
The Company has adopted IFRS 16 – Leases on its effective date of 1 January 2019 using the modified retrospective transition approach. IFRS 16 replaces IAS 17 'Leases'. Leases are recorded in the statement of financial position in the form of a right-to-use asset and a lease liability.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective after 1 January 2019 (continued)

IFRS 16 Leases (continued)

Subsequent to implementation of IFRS 16, the Company recognises a right-to-use asset and a lease liability at the lease commencement date.

The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred. The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rates as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset, or is recorded in the profit or loss if the carrying amount of the right-to-use asset has been reduced to zero.

The Company presents right-to-use assets that do not meet the definition of investment property in 'Property and equipment' and the lease liabilities as a separate item in the statement of financial position.

The Company has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated. All rights-to-use assets were measured at their carrying amounts as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

New standards and interpretations effective after 1 January 2018 (continued)

IFRS 16 Leases (continued)

The impact arising from the implementation of this standard in these financial statements is as follows:

	2019 AED
Right to use assets	
Balance as at 1 January 2019	7,610,760
Depreciation charge for the year	(833,609)
Balance as at 31 December 2019	6,777,151
Lease liability	
Balance as at 1 January 2019	8,084,978
Interest on lease liability	319,103
Lease payments made during the year	(1,153,786)
Balance as at 31 December 2019	7,250,295

Amounts recognised in the income statement

	2019 AED
General and administrative expenses	
Interest expense on lease liability	319,103
Depreciation of right to use assets	833,609
	1,152,712

Impact on opening retained earnings

	2019 AED
Right to use assets	7,610,760
Lease liability recognised	(8,084,978)
	(474,218)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

On November 14, 2018, the IASB voted to propose a one-year deferral of the effective date for IFRS 17, the new insurance contracts Standard, to 2022. The Board has also decided to propose extending to 2022 the temporary exemption for insurers to apply the financial instruments Standard, IFRS 9, so that both IFRS 9 and IFRS 17 can be applied at the same time.

The company will take the benefit of temporary exemption to apply the IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2022 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)
IFRS 17 Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

- combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract;
- presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and
- requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

The key principles in IFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognise and measure;
- recognises and measures groups of insurance contracts at:
  - i. a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  - ii. an amount representing the unearned profit in the group of contracts (the contractual service margin);
- recognises the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognises the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that that contracts within the scope of IFRS 17 have on the financial position, financial performance and cash flows of an entity.

IFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts. The Company is currently evaluating the expected impact.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

Revenue recognition

Gross premiums
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences. Gross premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Premiums collected by intermediaries, but not yet received, are assessed based on estimates from underwriting or past experience and are included in premiums written.

Reinsurance premiums
Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Other investment income
(i) Interest income is recognised on a time proportion basis.
(ii) Dividend income is accounted for when the right to receive payment is established.
(iii) Rental income is recognised as income over the period to which it relates.

Claims and expenses recognition
Claims, comprising amounts payable to contract holders and third parties and related loss adjustment expenses, net of salvage and other recoveries, are charged to expense as incurred. Provision for incurred but not reported claims is included within additional reserve.

The Company generally estimates its claims based on previous experience. Independent loss adjusters normally estimate property claims. Any difference between the provisions at the reporting date and settlements and provisions for the following year is included in the underwriting account for that year.

Reinsurance claims
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Finance cost
Interest paid is recognised in the statement of income as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest bearing financial liability.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Liability adequacy test
At each statement of financial position date 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 light of estimated future cash flows, the entire deficiency is immediately recognised in income and an unexpired risk provision is created.

The Company does not discount its liability for unpaid claims as substantially most of the claims are expected to be paid within one year of the statement of financial position date.

Foreign currency translation
The presentation currency is UAE Dirhams (AED). This is also the functional currency of the Company. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. All foreign exchange differences are taken to the statement of income, except when it relates to items when gains or losses are recognised directly in equity, the gain or loss is then recognised net of the exchange component in the statement of comprehensive income.

Segment reporting
For management purposes, the Company is organised into two business segments based on their products and services and has two business segments as follows:

a) The general insurance segment comprises of property, marine, motor, medical, general accident and miscellaneous risks.
b) Investment comprises investment held for trading, available-for-sale investments, investment properties and fixed deposits.

No operating segments have been aggregated to form the above reportable operating segments. Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the financial statements. No inter-segment transactions occurred in 2019 and 2018. If any transaction were to occur, transfer prices between operating segments would be set on an arm's length basis in a manner similar to transactions with third parties.

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

Investment contracts are those contracts that transfer significant financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or other variable.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight line basis over the estimated useful lives of property and equipment. The useful life considered in calculation of depreciation for all the assets is 5 years.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognised.

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

Capital work in progress

Capital work in progress is stated at the lower of cost or net realisable value. The cost includes the cost of construction and other related expenditure which are capitalised as and when activities that are necessary to get the assets ready for use are in progress. Net realisable value represents the estimated recoverable value based on expected future usage. Management reviews the carrying values of the capital work in progress on an annual basis.

Capital work in progress are considered to be completed when all related activities, for the entire assets have been completed. Upon completion, those are transferred to property and equipment.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognised either when 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 statement of profit or loss in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition costs
Those direct and indirect costs incurred during the financial period arising from acquiring or renewing of insurance contracts, are deferred to the extent that these costs are recoverable out of future premiums from insurance contract. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition costs are amortised over the period in which the related revenues are earned. The deferred acquisition costs for reinsurers are amortised in the same manner as the underlying asset amortisation and is recorded in the statement of profit or loss.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method and are treated as a change in an accounting estimate. An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in the statement of profit or loss. Deferred acquisition costs are also considered in the liability adequacy test for each reporting period. Deferred acquisition costs are derecognised when the related contracts are either settled or disposed of.

Deferred commission
Initial and other front-end commissions relating to insurance contracts and reinsurance arrangements, are deferred and recognised as revenue when the related services are rendered.

Fair value measurement
The Company measures financial instruments, such as, equity instruments, and non-financial assets such as investment properties (for disclosure purposes), at fair value at each balance sheet date.

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables. This category generally applies to insurance and other receivables.

Investments
Investments of the Company are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial Assets at FVTPL – Investment held for trading
Financial assets are classified as at Fair Value Through Profit or Loss ("FVTPL") where the financial asset is either held for trading or designated as at FVTPL.

A financial asset is classified as held for trading if:
- It has been acquired principally for the purpose of selling in the near future; or
- It is a part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short term profit taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the statement of income.

Available-For-Sale ("AFS") Investments
AFS investments comprise listed shares held by the Company traded in an active market and are stated at fair value. Gains and losses arising from the changes in the fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve with the exception of impairment losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investment revaluation reserve is reclassified to the statement of income.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-For-Sale ("AFS") Investments (continued)
The fair value of available for sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in the statement of income are determined based on the amortised cost of the monetary asset.

Dividend on available for sale investments are recognised in the statement of income when the Company's right to receive dividend is established.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortised cost using the EIR (effective interest rate), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs. The Company does not have any held-to-maturity investments during the years ended 31 December 2019 and 2018.

Derecognition of financial instruments
A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement
- The Company has transferred its rights to receive cash flows from the asset and either:
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

(a) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
(b) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Reinsurance contracts held

The Company cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the

Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the statement of income. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of income. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the statement of financial position which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

Insurance contract liabilities
(i) Unearned premium reserve
Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as unearned premium reserve.

ii) Additional reserve
A provision is made for the estimated excess of potential claims over unearned premiums and for claims incurred but not reported at the financial position date.

The reserves represent the management's best estimates on the basis of:
a) claims reported during the year
b) delay in reporting these claims
c) claim handling provision

(iii) Outstanding claims and IBNR
Insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are known as the outstanding claims provision, which are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, after reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of claims cannot be known with certainty at the reporting date. The liability is not discounted for the time value of money. No provision for equalisation or catastrophic reserves is recognised. The liability is derecognised when the contract expires, is discharged or is cancelled.

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

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 an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

With respect to its UAE national employees, the Company makes contributions to a pension fund established by the General Pension and Social Security Authority calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expense will not be offset in the income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Company.

Contingencies
Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future. These factors could include:

Judgments
In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on recent market transactions on an arm's length basis, fair value of another instrument that is substantially the same, expected cash flows discounted at current rates for similar instruments or other valuation models.

Impairment of available-for-sale investments
The company determines whether a available-for-sale investments are impaired when there has been a significant or prolonged decline in their fair value below cost. This determination of what is significant or prolonged requires judgment. In making this judgement and to record whether impairment occurred, the Company evaluates among other factors, the normal volatility in share price, the financial health of the investee, industry and sector performance, changes in technology and operational and financial cash flows.

Classification of properties
In the process of classifying properties, management has made various judgements. 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 judgement consistently in accordance with the definitions of investment property, property and equipment, property under development and/or property held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

Classification of properties (continued)
In developing its judgement, management has considered the detailed criteria and related guidance set out in IAS 2-Inventorires, IAS 16-Property, plant and equipment and IAS 40-Investment property, with regards to the intended use of the property.

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on recent arm's length market transactions, current fair value of another instrument that is substantially the same, the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or other valuation models.

Provision for outstanding claims, whether reported or not
Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim settlement trends. Claims requiring court or arbitration decisions are estimated individually.

Provision for outstanding claims, whether reported or not (continued)
Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Provision for premium deficiency reserve
Premium Deficiency Reserve represents the extent to which the unearned premium reserve is insufficient to meet the future claims liabilities and expenses that will be incurred on unexpired business. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty. The amount of the provision is based on a prospective assessment of the profitability associated with the unearned premium reserve.

Impairment losses on insurance receivables
The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs. In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

Fair value of investment properties
Determining the fair value requires an estimation of future cash flows expected to arise from the investment properties, a suitable growth rate, expected occupancy and a suitable discount rate in order to calculate the present value. It is reasonably possible on the basis of the existing knowledge that outcomes within next financial year that are different from estimates made could require material adjustment to the fair value of the investment properties.

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

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

3 INSURANCE PREMIUM REVENUE

	2019			2018		
	Gross AED	Reinsurers' Share AED	Net AED	Gross AED	Reinsurers' Share AED	Net AED
Gross premium	221,302,926	(115,517,251)	105,785,675	146,245,633	(78,381,473)	67,864,160
Movement in provision for unearned premium	(29,125,097)	8,173,344	(20,951,753)	(39,622,962)	18,590,025	(21,072,937)
Movement in premium deficiency reserve	(517,192)	-	(517,192)	1,406,140	-	1,406,140
Insurance premium revenue	191,660,637	(107,343,907)	84,316,730	107,988,811	(59,791,448)	48,197,363
Unearned premium as of 31 December (Note 21)	107,619,752	(46,300,607)	61,319,145	78,494,655	(38,127,259)	40,367,396

Insurance contracts premium includes AED 1.67 million (2018: AED 843 thousand) of reinsurance premium accepted.

4 CLAIMS INCURRED

	2019			2018		
	Gross AED	Reinsurers' Share AED	Net AED	Gross AED	Reinsurers' Share AED	Net AED
Claims paid	123,933,115	(80,546,562)	43,386,553	78,374,271	(56,722,354)	21,651,917
Changes in provision for outstanding claim	(14,406,202)	8,366,526	(6,039,676)	(9,272,199)	12,174,930	2,902,731
Changes in provision for IBNR	2,974,631	(2,484,042)	490,589	1,512,191	16,134	1,528,325
Changes in provision for unallocated loss adjustment expenses	(169,902)	-	(169,902)	(230,798)	-	(230,798)
	112,331,642	(74,664,078)	37,667,564	70,383,465	(44,531,290)	25,852,175

5 SEGMENTAL INFORMATION

Identification of reportable segments

For management purposes, the Company is organised into business units based on its products and services and has two reportable operating segments as follows:

- The general insurance segment, comprises property, marine, motor, medical, general accident and miscellaneous risks.
- Investment comprises investment held for trading, AFS investments, investment properties and fixed deposits.

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

Operating segment information is presented below:

	General insurance		Investment		Total	
	2019 AED	2018 AED	**2019 AED**	2018 AED	**2019 AED**	2018 AED
Underwriting income	**221,302,926**	146,245,633	**-**	-	**221,302,926**	146,245,633
Net underwriting loss	**(5,732,567)**	(19,204,589)		-	**(5,732,567)**	(19,204,589)
Investment income	**-**	-	**7,399,185**	9,947,968	**7,399,185**	9,947,968
Unallocated costs (net)	**-**	-	**(254,739)**	(187,098)	**(254,739)**	(187,098)
Loss for the year					**1,411,879**	(9,443,719)
Segment assets	**175,614,488**	165,838,516	**137,938,467**	129,994,607	**313,552,955**	295,833,123
Unallocated assets	**-**	-	**-**	-	**49,886,785**	19,628,295
					363,439,740	315,461,418
Segment liabilities	**286,075,072**	243,853,981	**-**	-	**286,075,072**	243,853,981
Unallocated liabilities	**-**	-	**-**	-	**1,588,355**	1,207,996
Total liabilities					**287,663,427**	245,061,977

The Company's operations are primarily conducted in the United Arab Emirates. General Insurance figures reported above include certain assets and liabilities that are common for all two reportable segments. These amounts are not significant and are not reported separately to the chief decision maker.

5 SEGMENTAL INFORMATION (continued)

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

	2019 AED	2018 AED
Medical	**101,101,267**	80,032,416
Motor	**74,984,284**	38,431,699
Engineering, general accidents and others	**23,867,885**	13,143,554
Property	**15,040,490**	10,591,832
Marine	**6,309,000**	4,046,132
	221,302,926	146,245,633

6 INVESTMENT INCOME

	2019 AED	2018 AED
Rental income from investment properties	**3,069,753**	3,484,698
Fair value movement on investment properties (Note 10)	**(922,340)**	(2,888,000)
Investment property expenses	**(965,086)**	(895,135)
Income/(loss) from investment property-net	**1,182,327**	(298,437)
Interest on fixed deposits	**1,435,859**	1,296,208
Gain on disposal of available-for-sale investments	**2,093,182**	7,113,955
Impairment of available for sale investments	-	(1,179,874)
Gain on disposal of investment held for trading	-	31,090
Dividend income – available for sale investment	**2,687,817**	2,712,399
Dividend income – investments held for trading	-	217,655
Gain in fair value of investments held for trading (Note 11(b))	-	54,972
	7,399,185	9,947,968

7 PROFIT/(LOSS) FOR THE YEAR

Profit /(loss) for the year is stated after charging:

	2019 AED	2018 AED
Staff costs	**23,702,358**	20,267,758
Depreciation of property and equipment (Note 9)	**658,141**	570,592
Depreciation of right to use assets (Note 9)	**833,609**	-
Attendance fee for board appointed committee	**60,000**	100,000
Social contributions	**14,174**	17,545

8 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit/loss for the year by the weighted average number of shares outstanding during the year as follows:

	2019	2018
Profit /(loss) for the year (AED)	**1,411,879**	(9,443,719)
Weighted average number of shares outstanding during the year	**100,000,000**	100,000,000
Earnings /(loss) per share (AED)	**0.014**	(0.094)

No figures for diluted loss per share are presented as the Company has not issued any instruments which would have an impact on loss per share when exercised.

9 PROPERTY AND EQUIPMENT

	2019 AED	2018 AED
Operating assets (Note 9.2)	**11,668,081**	1,151,958
Capital work in progress (Note 9.1)	**122,028**	646,394
	11,790,109	1,798,352

9.1 Capital work in progress includes amount of AED 122,028 (2018: AED 646,394) mainly towards costs incurred on software enhancements. Below is the movement of capital work in progress.

	2019 AED
Opening capital work in progress	**646,394**
Add: additions during the year	**3,546,904**
Less: capitalized during the year	**(4,071,270)**
Closing capital work in progress	**122,028**

9 PROPERTY AND EQUIPMENT (continued)

9.2 Operating assets

	Furniture and equipment AED	Office equipment AED	Software AED	Motor vehicles AED	Right to use assets AED	Total AED
Cost:						
At 1 January 2019	1,377,941	707,544	1,815,342	131,577	7,610,760	11,643,164
Additions during the year	3,938,594	233,887	233,253	-	-	4,405,734
Disposals during the year	-	(8,875)	-	-	-	(8,875)
Reclassification during the year	(163,642)	163,642	-	-	-	-
Write off during the year	(1,180,310)	(6,050)	(348,735)	(2,600)	-	(1,537,695)
At 31 December 2019	**3,972,583**	**1,090,148**	**1,699,860**	**128,977**	**7,610,760**	**14,502,328**
Depreciation:						
At 1 January 2019	1,340,578	368,405	1,142,661	28,802	-	2,880,446
Charge for the year	144,013	206,504	275,381	32,243	833,609	1,491,750
Related to disposals	-	(2,958)	-	-	-	(2,958)
Related to reclassification	(153,134)	153,134	-	-	-	-
Related to write off	(1,180,325)	(3,349)	(348,717)	(2,600)	-	(1,534,991)
At 31 December 2019	**151,132**	**721,736**	**1,069,325**	**58,445**	**833,609**	**2,834,247**
Net carrying amount:						
At 31 December 2019	**3,821,451**	**368,412**	**630,535**	**70,532**	**6,777,151**	**11,668,081**

9 PROPERTY AND EQUIPMENT (continued)

9.2 Operating assets (continued)

	Furniture and equipment AED	Office equipment AED	Software AED	Motor vehicles AED	Right to use assets AED	Total AED
Cost:						
At 1 January 2018	4,046,076	1,381,016	2,336,830	32,202	-	7,796,124
Additions during the year	5,715	221,990	161,420	100,875	-	490,000
Disposals during the year	(11,000)	-	-	(1,500)	-	(12,500)
Write off during the year	(2,662,850)	(895,462)	(682,908)	-	-	(4,241,220)
At 31 December 2018	1,377,941	707,544	1,815,342	131,577	-	4,032,404
Depreciation:						
At 1 January 2018	3,736,411	1,139,610	1,537,414	9,736	-	6,423,171
Charge for the year	139,408	122,463	288,155	20,566	-	570,592
Related to disposals	(4,401)	-	-	(1,500)	-	(5,901)
Related to write off	(2,530,840)	(893,668)	(682,908)	-	-	(4,107,416)
At 31 December 2018	1,340,578	368,405	1,142,661	28,802	-	2,880,446
Net carrying amount:						
At 31 December 2018	37,363	339,139	672,681	102,775	-	1,151,958

10 INVESTMENT PROPERTY

	2019 AED	2018 AED
Balance at the beginning of the year	**53,750,000**	56,638,000
Change in fair value during the year (Note 6)	**(922,340)**	(2,888,000)
Balance at the end of the year	**52,827,660**	53,750,000

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

The fair value was determined based on the capitalisation of net income method, where the market rentals of all lettable units are assessed by reference to the rentals achieved in the lettable units as well as other lettings of similar property in the area. The capitalisation rate adopted is made by reference to the yield rates observed by the valuers of similar properties in the locality and adjusted based on the valuer's knowledge of the factors specific to respective properties.

The fair values of all the investment properties were determined based on observable inputs (i.e. level 3). For investment properties categorised into level 3 of the fair value hierarchy.

11 FINANCIAL INSTRUMENTS

	Carrying Value		Fair Value	
	2019 AED	2018 AED	**2019 AED**	2018 AED
Financial instruments				
Available for sale investments (Note 11(a))	**51,676,615**	42,530,554	**51,676,615**	42,530,554
Investments held for trading (Note 11(b))	**2,203,465**	2,203,465	**2,203,465**	2,203,465
	53,880,080	44,734,019	**53,880,080**	44,734,019

11(a) Available for sale investments

	Carrying Value		Fair Value	
	2019 AED	2018 AED	**2019 AED**	2018 AED
Shares – quoted	**51,676,615**	42,530,554	**51,676,615**	42,530,554

11 FINANCIAL INSTRUMENTS (continued)

11(a) Available for sale investments (continued)

Movement during the year were as follows

	2019 AED	2018 AED
Fair value at the beginning of the year	**42,530,554**	27,191,970
Purchased during the year	**8,982,861**	46,247,040
Disposed during the year	**(5,476,110)**	(29,280,055)
Net increase/(decrease) in fair value during the year	**5,639,310**	(1,628,401)
Fair value at the end of the year	**51,676,615**	42,530,554

Available for sale investment comprises the following

	2019 AED	2018 AED
Within U.A.E.	**51,676,615**	42,530,554

11(b) Investments held for trading

	2019 AED	2018 AED
Unquoted mutual fund units	**2,203,465**	2,203,465

Movement During the year were as follows

	2019 AED	2018 AED
Fair value at the beginning of the year	**2,203,465**	2,174,878
Disposed during the year	-	(26,385)
Change in fair value during the year (Note 6)	-	54,972
Fair Value at the end of the year	**2,203,465**	2,203,465

Investment held for trading comprises the following

	2019 AED	2018 AED
Outside U.A.E	**2,203,465**	2,203,465

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

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. As such, differences can arise between book values and the fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Valuation techniques and assumptions applied for the purposes of measuring fair value
The fair values of financial assets and financial liabilities are determined using similar valuation techniques and assumptions as used in the audited annual financial statements for the year ended 31 December 2018.

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

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

	2019 AED	2018 AED	*Fair value hierarchy*	*Valuation techniques and key inputs*	*Significant unobservable input*
Available- for- sale					
Quoted Investments	**51,676,615**	42,530,554	Level 1	Quoted bid prices in an active market	N/A
Investments Held for trading					
Unquoted Investments	**2,203,465**	2,203,465	Level 3	Net assets valuation method	N/A

There are no financial liabilities which should be measured at fair value and accordingly no disclosure is made in the above table.

Reconciliation of level 3 fair value measurement of financial assets measured at fair value:

	2019 AED	2018 AED
Opening balance	**2,203,465**	2,174,878
Disposal during the year	-	(26,385)
Fair value adjustment	-	54,972
Closing balance	**2,203,465**	2,203,465

13 DEFERRED ACQUISITION COSTS

Movements in the provision recognised in the statement of financial position are as follows:

	2019 AED	2018 AED
As at 1 January	**10,046,687**	4,704,927
Expenses incurred during the year	**29,525,780**	17,692,827
Less: amortisation	**(24,041,305)**	(12,351,067)
As at 31 December	**15,531,162**	10,046,687

14 INSURANCE RECEIVABLES

	2019 AED	2018 AED
Due from policyholders and brokers	**65,994,688**	57,467,198
Due from insurance companies	**6,543,855**	4,602,838
Due from reinsurance companies	**495,058**	15,123,638
Less: Allowance for doubtful debts	**(11,193,156)**	(15,869,236)
	61,840,445	61,324,438

Inside UAE:

	2019 AED	2018 AED
Due from policyholders and brokers	**65,994,688**	57,467,198
Due from insurance companies	**6,543,855**	4,602,838
Due from reinsurance companies	**236,876**	134,494
Less: Allowance for doubtful debts	**(11,193,156)**	(10,665,387)
	61,582,263	51,539,143

Outside UAE:

	2019 AED	2018 AED
Due from reinsurance companies	**258,182**	14,989,144
Less: Allowance for doubtful debts	**-**	(5,203,849)
	258,182	9,785,295

The above receivables are standard and unsecured.

14 INSURANCE RECEIVABLES (continued)

As at 31 December 2019, premiums and insurance companies' balances receivable at nominal value of AED 11,193,156 (2018: AED 15,869,236) were impaired. Movements in the allowance for impairment of receivables were as follows:

	2019 AED	2018 AED
At 1 January	**15,869,236**	11,689,493
Provided during the year	**836,792**	5,349,368
Allowances written back during the year	**(599,696)**	(804,913)
Bad debts written off during the year	**(4,913,176)**	(364,712)
At 31 December	**11,193,156**	15,869,236

15 PREPAYMENTS AND OTHER RECEIVABLES

	2019 AED	2018 AED
Prepayments	**2,072,012**	276,942
Deposits	**726,298**	580,966
Accrued Income	**883,367**	908,475
Advances to employees	**304,443**	109,200
Others	**195,380**	174,893
	4,181,500	2,050,476

16 STATUTORY DEPOSITS

	2019 AED	2018 AED
Restricted bank deposits:	**6,000,000**	6,000,000

This represents the amount that cannot be withdrawn without the prior approval of the Ministry of Economy in accordance with Article 42 of Federal Law No. 6 of 2007. The bank deposit expires after one year and is renewable every year and earns an interest of 1.30% to 4.25% (2018: 2.25% to 3.40%) per annum

17 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	2019 AED	2018 AED
Current accounts and cash	**31,641,257**	11,459,134
Call accounts	**6,455,419**	7,017,203
Bank deposits	**31,230,727**	31,510,588
	69,327,403	49,986,925

The entire cash and cash equivalents are within United Arab Emirates. The annual rate of fixed deposits is 1.30% to 4.25% (2018: 2.25% to 3.4%).

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 financial items in the statement of financial position as follows

	2019 AED	2018 AED
Bank balances and cash	**69,327,403**	49,986,925
Bank deposits with maturity over 3 months	**(31,230,727)**	(31,510,588)
	38,096,676	18,476,337

18 SHARE CAPITAL

	2019 AED	2018 AED
Authorized share capital - 100,000,000 shares of AED 1 each		
Issued and fully paid 100,000,000 shares of AED 1 each (2018: 100,000,000 shares of AED 1 each)	**100,000,000**	100,000,000

19 RESERVES

STATUTORY RESERVE

In accordance with the UAE Federal Law No. (2) of 2015 and the Company's Articles of Association, 10% of the net profit of the Company is transferred to a statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution, except in the circumstances stipulated by the UAE Commercial Companies Law. During the year, the Shareholders approved the transfer of AED 141,187 (2018: Nil) from the net profits to statutory reserve.

GENERAL RESERVE

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors' and approved by the Shareholders' at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors', approved by a Shareholders' resolution. During the year, no transfers were made to the general reserves (2018: Nil).

INVESTMENT REVALAUTION RESERVE

This reserve records fair value changes on available for sale investments.

20 EMPLOYEES' END OF SERVICE BENEFITS

Movements in the provision recognised in the statement of financial position are as follows:

	2019 AED	2018 AED
Provision as at 1 January	**1,207,996**	1,255,238
Provided during the year	**492,761**	169,498
End of service benefits paid	**(112,402)**	(216,740)
Provision as at 31 December	**1,588,355**	1,207,996

21 INSURANCE CONTRACT ASSETS AND LIABILITIES

	2019 AED	2018 AED
Insurance contract liabilities:		
Unearned premiums	**107,619,752**	78,494,655
Premium deficiency reserve	**517,192**	-
Claims reported unsettled	**54,258,728**	68,664,930
Claims incurred but not reported (IBNR)	**17,528,668**	14,554,037
Unallocated loss adjustment expenses	**1,020,326**	1,190,228
	180,944,666	162,903,850
Insurance contract assets:		
Unearned premiums	**46,300,603**	38,127,259
Claims reported unsettled	**32,746,274**	41,112,800
Claims incurred but not reported (IBNR)	**9,014,504**	6,530,462
	88,061,381	85,770,521
Insurance contract liabilities - net		
Unearned premiums	**61,319,149**	40,367,396
Premium deficiency reserve	**517,192**	-
Claims reported unsettled	**21,512,454**	27,552,130
Claims incurred but not reported (IBNR)	**8,514,164**	8,023,575
Unallocated loss adjustment expenses	**1,020,326**	1,190,228
	92,883,285	77,133,329

Insurance contract assets include outstanding balances recoverable from insurance companies and third parties.

21 INSURANCE CONTRACT ASSETS AND LIABILITIES (continued)

Claims development table:
The following table reflects the cumulative gross incurred claims for each successive accident year at each statement of financial position date, together with cumulative payments to date:

Year 2019

Accident year	2013 and before AED	2014 AED	2015 AED	2016 AED	2017 AED	2018 AED	2019 AED	Total AED
At the end of accident year	698,707,618	254,747,438	139,138,432	60,468,943	48,376,125	77,636,145	144,836,696	
One year later	707,856,462	257,295,987	139,602,462	63,869,325	51,709,949	77,326,008	-	
Two years later	698,135,814	240,693,313	140,590,193	66,225,368	51,466,701	-	-	
Three years later	684,975,146	232,363,676	131,200,038	63,680,752	-	-	-	
Four years later	683,728,849	232,621,309	128,031,821	-	-	-	-	
Five years later	683,613,099	226,676,154	-	-	-	-	-	
Six years later	683,164,153	-	-	-	-	-	-	
Current estimate of cumulative claims	**683,164,153**	**226,676,154**	**128,031,821**	**63,680,752**	**51,466,701**	**77,326,008**	**144,836,696**	
At the end of accident year	619,744,739	143,307,304	70,371,601	40,916,707	31,862,638	49,425,607	113,544,828	
One year later	675,895,488	218,117,465	99,405,449	53,464,614	41,641,005	70,135,636	-	
Two years later	676,809,651	215,446,351	103,484,976	55,626,695	47,470,173	-	-	
Three years later	680,138,273	221,466,771	124,061,023	56,448,246	-	-	-	
Four years later	680,712,040	222,828,777	125,360,818	-	-	-	-	
Five years later	680,757,870	225,788,001	-	-	-	-	-	
Six years later	682,175,855	-	-	-	-	-	-	
Cumulative claims paid	**682,175,855**	**225,788,001**	**125,360,818**	**56,448,246**	**47,470,173**	**70,135,636**	**113,544,828**	
Total gross Outstanding claims	**988,298**	**888,153**	**2,671,003**	**7,232,506**	**3,996,528**	**7,190,372**	**31,291,868**	**54,258,728**

22 DEFERRED COMMISSION INCOME

Movements in the deferred commission income recognised in the statement of financial position are as follows:

	2019	2018
	AED	AED
As at 1 January	**3,309,533**	1,460,119
Commission received during the year	**9,600,545**	5,701,666
Commission income released to the statement of income	**(8,029,231)**	(3,852,252)
As at 31 December	**4,880,847**	3,309,533

The remaining balance in 2019 are recoverable out of future premiums from existing insurance contracts.

23 INSURANCE AND OTHER PAYABLES

	2019	2018
	AED	AED
Insurance related payables	**81,202,880**	67,833,403
Accrued expenses	**6,804,117**	4,734,949
VAT payables	**1,988,456**	1,940,367
Other payables	**3,003,811**	3,131,879
	92,999,264	77,640,598

Inside UAE:

	2019	2018
	AED	AED
Insurance related payables	**36,980,146**	27,816,182
Accrued expenses	**6,804,117**	4,734,949
VAT payables	**1,988,456**	1,940,367
Other payables	**3,003,811**	3,131,879
	48,776,530	37,623,377

Outside UAE:

	2019	2018
	AED	AED
Insurance related payables	**44,222,734**	40,017,221
	44,222,734	40,017,221

24 RELATED PARTY TRANSACTIONS

Related parties represent, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. The pricing policies and terms of these transactions are approved by the Company's management.

The significant balances outstanding at 31 December in respect of related parties included in the financial statements are as follows:

	2019	2018
	AED	AED
Affiliates of major shareholders:		
Due from policyholders	**2,580,423**	2,285,137
Outstanding claims	**466,359**	268,116

The income and expenses in respect of related parties included in the financial statements are as follows:

	2019	2018
	AED	AED
Affiliates of major shareholders:		
Premiums	**15,427,447**	11,357,830
Claims	**9,877,307**	7,432,927
Management fee	**1,104,000**	1,104,000

Compensation of the key management personnel is as follows:		
Employee benefits	**2,273,902**	1,821,493

Outstanding balances at the year-end arise in the normal course of business. For the years ended 31 December 2019 and 31 December 2018, the Company has not recorded any impairment of amounts owed by related parties.

25 RISK MANAGEMENT

(a) Governance framework

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

The Company's risk management function is carried out by the board of directors, with its associated committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to the Chief Executive Officer and senior managers.

The board of directors meets regularly to approve any commercial, regulatory and organisational decisions. The Chief Executive Officer under the authority delegated from the board of directors defines the Company's risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements.

The Company's current enterprise risk management framework is formally documented and divided into three phases. The Company's enterprise risk management framework is established to identify and analyse the key risks faced by the Company's to set appropriate controls and manage those risks. As part of the risks identification process, the Company uses risk based capital model to assess the capital requirement and uses stress analysis to apply changes to capital. The Company's risk appetite is derived from the changes to capital.

25 RISK MANAGEMENT (continued)

(b) Capital management framework

The primary objective of the Company's capital management is to comply with the regulatory requirements in the UAE and to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(c) Regulatory framework

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

The operations of the Company are also subject to regulatory requirements within the jurisdiction where it operates. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy) to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

(d) Asset liability management (ALM) framework

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Company manages these positions to achieve long-term investment returns in excess of its obligations under insurance contracts. The principal technique of the Company's ALM is to match assets to the liabilities arising from insurance contracts by reference to the type of benefits payable to contract holders.

The Company actively monitors the ALM to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance contracts. The Company regularly monitors the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance liabilities.

The risks faced by the Company and the way these risks are mitigated by management are summarised below.

25A Insurance risk

The principal risk the Company faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore the objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly property, motor, marine, fire, engineering and general accident risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place. This helps to mitigate insurance risk.

25 RISK MANAGEMENT (continued)

25A Insurance risk (continued)

Frequency and amounts of claims (continued)

Property
Property insurance is designed to compensate contract holders for damage suffered to properties or for the value of property lost. Contract holders could also receive compensation for the loss of earnings caused by the inability to use the insured properties. For property insurance contracts the main risks are fire and business interruption. In recent years the Company has only underwritten policies for properties containing fire detection equipment. These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has reinsurance cover for such damage to limit losses for any individual claim to AED 1,101,900 (2018: AED 1,101,900).

Motor
Motor insurance is designed to compensate contract holders for damage suffered to their vehicles or liability to third parties arising through accidents. Contract holders could also receive compensation for the fire or theft of their vehicles. For motor contracts the main risks are claims for death and bodily injury and the replacement or repair of vehicles. The Company has reinsurance cover for such claims to limit losses for any individual claim to AED 300,000 (2018: AED 300,000). The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine
Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargos. For marine insurance the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has reinsurance to limit losses for any individual claim to AED 1,101,900 (2018: AED 1,101,900).

Medical
Medical insurance is designed to compensate the contract holders for medical costs. For medical insurance, the main risks are illness and related healthcare costs. The Company generally does not offer medical insurance to walk-in customers. Medical insurance is generally offered to corporate customers with large population to be covered under the policy.

Reinsurance risk
In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is effected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers. The Company deals with reinsurers approved by the Board of Directors. The five largest reinsurers account for 99% of amounts due from reinsurance companies at 31 December 2019 (2018: 98%).

25 RISK MANAGEMENT (continued)

25B Financial risk

The Company's principal financial instruments include financial assets and financial liabilities which comprise financial investments (at fair value through profit or loss and available-for-sale investments), receivables arising from insurance and reinsurance contracts, statutory deposits, cash and cash equivalents, trade and other payables, and re-insurance balance payables. The Company does not enter into derivative transactions.

The main risks arising from the Company's financial instruments are credit risk, geographical risk, liquidity risk, foreign currency risk, interest rate risk and equity price risk. The board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. For all classes of financial assets held by the Company, the maximum exposure to credit risk to the Company is the carrying value as disclosed in the statement of financial position.

The following policies and procedures are in place to mitigate the Company's exposure to credit risk:

- The Company only enters into insurance and reinsurance contracts with recognised, credit worthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables from insurance and reinsurance contracts are monitored on an ongoing basis in order to reduce the Company's exposure to bad debts.
- The Company seeks to limit credit risk with respect to agents and brokers by setting credit limits for individual agents and brokers and monitoring outstanding receivables.
- The Company's investments at fair value through profit or loss or available-for-sale investments are managed by the Investment Committee in accordance with the guidance of the Chairman and the supervision of the Board of Directors.
- The Company's bank balances are maintained with a range of local banks in accordance with limits set by the management.

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

	Notes	**2019 AED**	2018 AED
Financial instruments	11	**53,880,080**	44,734,019
Insurance contract assets	21	**88,061,381**	85,770,521
Insurance receivables	14	**61,840,445**	61,324,438
Other receivables (excluding prepayments)	15	**2,109,488**	1,664,334
Statutory deposits	16	**6,000,000**	6,000,000
Bank balances	17	**69,327,403**	49,986,925
Total credit risk exposure		**281,218,797**	249,480,237

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in value. For more detail on the maximum exposure to credit risk for each class of financial instrument, references have been made to the specific notes.

25 RISK MANAGEMENT (continued)

25B Financial risk (continued)

Credit risk (continued)

Insurance receivables comprise a large number of customers and insurance companies mainly within the United Arab Emirates. Reinsurance assets are from reinsurance companies based mainly in Europe and the Middle East. The Company's financial position can be analysed by the following geographical regions:

	2019			2018		
	Assets AED	**Liabilities and equity AED**	**Contingent liabilities and commitments AED**	Assets AED	Liabilities and equity AED	Contingent liabilities and commitments AED
United Arab Emirates	**274,210,485**	**319,217,006**	**6,976,873**	298,268,809	275,444,197	9,924,146
Europe	**53,611,126**	**30,700,513**	**-**	6,558,438	33,975,124	-
Rest of the world	**35,618,129**	**13,522,221**	**-**	10,634,171	6,042,097	-
Total	**363,439,740**	**363,439,740**	**6,976,873**	315,461,418	315,461,418	9,924,146

The following table provides an ageing analysis of net receivables arising from policyholders and brokers:

	90 days AED	*91 to 180 days* AED	*181 to 365 days* AED	*> 365 days* AED	*Total* AED
2019	**33,966,396**	**15,607,631**	**6,479,381**	**9,941,280**	**65,994,688**
2018	27,709,085	15,724,603	3,866,491	10,167,019	57,467,198

For assets to be classified as 'past due and impaired' the contractual payments in arrears are more than 365 days and an impairment adjustment is recorded in the statement of income for this. When the credit exposure is adequately secured or when management is confident of settlement, arrears more than 365 days might still be classified as 'past due but not impaired", with no impairment adjustment recorded.

Geographical risk

The Company has geographical risk exposure. Such exposure arises from investments, cash and cash equivalents and insurance contracts concentrated within certain geographical areas. The investments and cash and cash equivalents are primarily with local companies and financial institutions. The risk arising from insurance contracts is concentrated mainly in the United Arab Emirates.

In accordance with the requirement of the Securities and Commodities Authority (Circular dated 12-10-2011) following are the details of the geographical concentration of assets in the Company's financial statements as of 31 December 2019:

(a) Investment property

Investment property represents the Company's investment in a freehold land and building situated in the Emirate of Dubai, United Arab Emirates and Ras Al Khaimah, UAE.

25 RISK MANAGEMENT (continued)

25B Financial risk (continued)

Geographical risk (continued)

(b) Financial instruments – investments
Investments in financial assets represent investments in quoted and unquoted shares of companies incorporated in the United Arab Emirates and outside United Arab Emirates.

(c) Cash and cash equivalents
Cash and cash equivalents of the Company are with banks registered and operating in the United Arab Emirates.

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 U.S Dollars to which Dirham is fixed.

25 RISK MANAGEMENT (continued)

25B Financial risk (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its commitments associated with insurance contracts and financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturity of the assets and liabilities of the Company based on remaining contractual settlement dates.

	31 December 2019				31 December 2018			
	Less than one year AED	**More than one year AED**	**No Term AED**	**Total AED**	Less than one year AED	More than one year AED	No Term AED	Total AED
ASSETS								
Property and equipment	**-**	**6,777,151**	**5,012,958**	**11,790,109**	-	-	1,798,352	1,798,352
Investment property	**-**	**-**	**52,827,660**	**52,827,660**	-	-	53,750,000	53,750,000
Financial instruments	**53,880,080**	**-**	**-**	**53,880,080**	44,734,019	-	-	44,734,019
Insurance contract assets	**88,061,381**	**-**	**-**	**88,061,381**	85,770,521	-	-	85,770,521
Deferred acquisition costs	**15,531,162**	**-**	**-**	**15,531,162**	10,046,687	-	-	10,046,687
Insurance receivables	**61,840,445**	**-**	**-**	**61,840,445**	61,324,438	-	-	61,324,438
Prepayments and other receivables	**4,181,500**	**-**	**-**	**4,181,500**	2,050,476	-	-	2,050,476
Statutory deposits	**-**	**-**	**6,000,000**	**6,000,000**	-	-	6,000,000	6,000,000
Bank balances and cash	**69,327,403**	**-**	**-**	**69,327,403**	49,986,925	-	-	49,986,925
TOTAL ASSETS	**292,821,971**	**6,777,151**	**63,840,618**	**363,439,740**	253,913,066	-	61,548,352	315,461,418

25 RISK MANAGEMENT (continued)

25B Financial risk (continued)

Liquidity risk (continued)

	31 December 2019				31 December 2018			
	Less than one year AED	More than one year AED	No Term AED	Total AED	Less than one year AED	More than one year AED	No Term AED	Total AED
EQUITY AND LIABILITIES								
Equity								
Share capital	-	-	100,000,000	100,000,000	-	-	100,000,000	100,000,000
Statutory reserve	-	-	141,187	141,187	-	-	-	-
General reserve	-	-	1,119,524	1,119,524	-	-	1,119,524	1,119,524
Accumulated losses	-	-	(26,194,584)	(26,194,584)	-	-	(26,991,058)	(26,991,058)
Investment revaluation reserve	-	-	710,186	710,186	-	-	(3,729,025)	(3,729,025)
Total equity	-	-	75,776,313	75,776,313	-	-	70,399,441	70,399,441
Liabilities								
Employees' end of service benefits	-	1,588,355	-	1,588,355	-	1,207,996	-	1,207,996
Insurance contract liabilities	180,944,666	-	-	180,944,666	162,903,850	-	-	162,903,850
Deferred commission income	4,880,847	-	-	4,880,847	3,309,533	-	-	3,309,533
Insurance and other payables	92,999,264	-	-	92,999,264	77,640,598	-	-	77,640,598
Lease Liability	-	7,250,295	-	7,250,295	-	-	-	-
Total liabilities	278,824,777	8,838,650	-	287,663,427	243,853,981	1,207,996	-	245,061,977
TOTAL EQUITY AND LIABILITIES	278,824,777	8,838,650	75,776,313	363,439,740	243,853,981	1,207,996	70,399,441	315,461,418

25 RISK MANAGEMENT (continued)

25B Financial risk (continued)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

The Company is exposed to interest rate risk on fixed deposits and bank overdraft. The Company limits interest rate risk by monitoring changes in interest rates in the currencies in which its cash and interest bearing investments and borrowings are denominated.

Interest rate sensitivity

The effective interest rates for all major classes of interest bearing financial instruments as at 31 December, are as follows:

31 December 2019

	Total AED	**Effective interest rate %**
Bank deposits (Including statutory deposit)	**37,230,727**	**1.30% to 4.25%**
	37,230,727	

31 December 2018

	Total AED	Effective interest rate %
Bank deposits	37,510,588	2.25% to 3.4%
	37,510,588	

There is no significant difference between contractual reprising or maturity dates.

The following table demonstrates the sensitivity of statement of income to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the statement of income is the effect of the assumed changes in interest rates on the Company's profit for the year, based on the floating rate financial assets and financial liabilities held at 31 December 2019.

	Increase/decrease in basis points (bps)	**Effect on profit for the year AED**
2019	**50 (bps)**	**186,154**
	-50 (bps)	**(186,154)**
2018	50 (bps)	187,553
	-50 (bps)	(187,553)

25 RISK MANAGEMENT (continued)

25B Financial risk (continued)

Equity price risk

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

The effect on equity (as a result of a change in the fair value of equity instruments held as financial assets at fair value through others comprehensive income at 31 December 2019) and on statement of income (as a result of changes in value of financial assets through profit or loss) due to a reasonably possible change in equity indices, with all other variables held constant, is as follows:

	2019			2018		
	Change in equity price %	**Effect on equity AED**	**Effect on income statement AED**	Change in equity price %	Effect on equity AED	Effect on income statement AED
All investments	**10**	**5,167,662**	**220,347**	10	4,253,055	220,347

25C Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Company is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

26 CONTINGENCIES

Contingent liabilities

At 31 December 2019 the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise, amounting to AED 6,650,691 (2018: AED 5,150,691).

Legal claims

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 believe that the outcome of these court cases will have a material impact on the Company's income or financial condition.

Capital and lease commitments

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) and for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. At 31 December, the Company's capital and short-term lease commitments are payable as follows:

	2019 AED	2018 AED
Capital commitments - less than one year	**204,154**	1,074,225
Short-term lease commitments - less than one year	**122,028**	3,699,230
	326,182	4,773,455