RAS AL KHAIMAH NATIONAL INSURANCE COMPANY P.S.C.

Independent auditor's report and financial statements for the year ended 31 December 2018

RAS AL KHAIMAH NATIONAL INSURANCE COMPANY P.S.C.

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RAK INSURANCE

Directors' Report

The Board of Directors has pleasure in submitting their report and the audited-Financial Statements for the year ended 31 December 2018.

Incorporation and registered office

Ras Al Khaimah National Insurance Company P.S.C. (RAK Insurance) was incorporated under an Emiri Decree Number 20/76 issued by HH Ruler of Ras Al Khaimah. The address of the registered office is PO Box 506, Ras Al Khaimah, United Arab Emirates.

Financial position and results

Ras Al Khaimah National Insurance Co. (RAK Insurance), achieved a net profit for of AED 20.5M compared to AED 27.9M in the previous year.

Gross written premium increased by 8% to AED 509.9M compared to AED 471.7M in the previous year.

Underwriting profit from insurance operations decreased to AED 14.6M compared to AED 37.7M in the previous year.

The Company's total assets increased from AED 844.2M to AED 854.8M and the Shareholders' Equity decreased from AED 219.2M to AED 195.6 M. The main cause of this reduction is the IFRS 9 adjustment which reduced retained earnings by AED 22.9M.

Total liabilities were AED 659.2M compared to AED 625.1M in the previous year. This increase was primarily due to increased insurance contract liabilities and other insurance payable resulting from the growth in our "book of business" during the year.

Basic earnings per share is AED 0.19 in the current year compared to AED 0.25 of the previous year on a Capital base of AED 110 M.

On behalf of the Board of Directors of RAK Insurance, I would like to thank all who have contributed to our Company's success. Our sincere appreciation to the executive management and staff for their dedication, commitment and constant hard work. The Directors would also like to acknowledge our reinsurance partners, customers and all the stakeholders of the company.

Yours faithfully,

SALEM AL SHARHAN
Chairman

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

The Shareholders of
Ras Al Khaimah National Insurance Company P.S.C.
Ras Al Khaimah
United Arab Emirates

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Ras Al Khaimah National Insurance Company P.S.C. (the "Company"), Ras Al Khaimah, United Arab Emirates** which comprise the statement of financial position as at 31 December 2018, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Ras Al Khaimah National Insurance Company P.S.C., Ras Al Khaimah, United Arab Emirates**, as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAS AL KHAIMAH NATIONAL INSURANCE COMPANY P.S.C. (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter

Valuation of insurance contract liabilities and reinsurance contract assets
 	
As at 31 December 2018, insurance contract liabilities and reinsurance contract assets amounted to AED 424.5 million and AED 209.6 million respectively, as detailed in note 10 to these financial statements.
 	
As set out in note 3 and 4, valuation of these liabilities requires professional judgment and also involve number of assumptions made by management. Reinsurance contract assets includes amounts that the Company is entitled to receive under the reinsurance contracts and, more specifically, the share of the reinsurer in the insurance contract liabilities recorded by the Company.
 	
This is particularly the case for those liabilities that are based on the best-estimate of technical reserves that includes ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and related technical reserves. A range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities.
 	
The valuation of these liabilities also depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. As a result of all of the above factors, we consider insurance contract liabilities and reinsurance contract assets as key audit matter.
	Our audit procedures included:
	
	• Testing the underlying Company data to source documentation.
	• Evaluating and testing the claims handling and case reserve setting processes of the Company including allocation of reinsurance portion of claims.
	• Evaluating and testing the integrity of the data used in the actuarial reserving process.
	• Checking samples of claims case reserves through comparing the estimated amount of the case reserve to appropriate documentation, such as reports from loss adjusters, confirmations obtained from lawyers', reinsurance contracts, etc.
	• Re-performing reconciliations between the claims data recorded in the Company's systems and the data used in the actuarial reserving calculations.
	• Recalculating the unearned premium portion and cross checking the same with Company's calculation.
	• Checking samples of unearned premium with appropriate documentation.
	
	In addition, with the assistance of our actuarial specialists, we:
	
	•performed necessary reviews to ascertain whether the results are appropriate for valuation of insurance contract liabilities and reinsurance contract assets in line with IFRS 4 Insurance Contracts and Financial Regulations issued by Insurance Authority.
	•reviewed the actuarial report compiled by the independent external actuaries of the Company and checked calculations underlying these provisions, particularly around the following areas;
	  • Appropriateness of the calculation methods and approach (actuarial best practice)
	  • Review of assumptions
	  • Sensitivities to key assumptions
	  • Risk profiles
	  • Consistency between valuation periods
	  • General application of financial and mathematical rules.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAS AL KHAIMAH NATIONAL INSURANCE COMPANY P.S.C. (continued)

Other information

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

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAS AL KHAIMAH NATIONAL INSURANCE COMPANY P.S.C. (continued)

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

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

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

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

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

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

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

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

Report on other Legal and Regulatory Requirements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF RAS AL KHAIMAH NATIONAL INSURANCE COMPANY P.S.C. (continued)

Report on other Legal and Regulatory Requirements (continued)

iii) the Company has maintained proper books of account;

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

v) as disclosed in Note 8 to the financial statements, the Company has investment in securities as at 31 December 2018;

vi) Note 22 to the financial statements discloses material related party transactions and balances, and the terms under which they were conducted.

vii) based on the information that has been made available to us nothing has come to our attention which causes us to believe that the Company has, during the financial year ended 31 December 2018, contravened any of the applicable provisions of the UAE Federal Law No. (2) of 2015, or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2018; and

viii) Note 20 to the financial statements discloses the social contributions made during the financial year ended 31 December 2018.

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

Deloitte & Touche (M.E.)

Signed by:
Samir Madbak
Registration No. 386
14 March 2019
Sharjah, United Arab Emirates

Statement of financial position
At 31 December 2018

	Notes	2018 AED	2017 AED (Restated)	2016 AED (Restated)
ASSETS				
Property and equipment	5	**5,607,526**	5,969,731	7,183,836
Investment properties	6	**16,332,502**	18,279,745	18,843,363
Intangible assets	7	**10,820,988**	11,976,509	9,102,577
Investment in securities	8	**72,178,932**	76,272,444	14,499,485
Statutory deposit	9	**10,000,000**	10,000,000	10,000,000
Reinsurance contract assets	10	**209,545,115**	189,324,240	129,332,478
Insurance and other receivables	11	**274,553,802**	247,921,882	272,197,950
Deferred acquisition cost		**24,708,115**	22,978,881	16,928,013
Bank balances and cash	12	**55,955,837**	11,580,882	41,601,463
Fixed deposits	12	**175,086,407**	249,907,081	182,476,634
Total assets		**854,789,224**	844,211,395	702,165,799
EQUITY AND LIABILITIES				
Equity				
Share capital	13	**110,000,000**	110,000,000	110,000,000
Statutory reserve	14	**47,007,852**	44,956,581	42,171,180
Voluntary reserve	14	**20,000,000**	20,000,000	20,000,000
Cumulative changes in fair value of FVOCI/available-for-sale securities		**(3,350,380)**	(150,977)	1,141,021
Retained earnings		**21,974,663**	44,343,761	31,775,152
Total equity		**195,632,135**	219,149,365	205,087,353
Liabilities				
Provision for employees' end of service indemnity	15	**5,029,729**	5,330,571	4,808,855
Insurance contract liabilities	10	**424,503,241**	390,823,581	339,630,529
Insurance and other payables	16	**195,577,211**	192,902,269	152,639,062
Bank borrowings	17	**34,046,908**	36,005,609	-
Total liabilities		**659,157,089**	625,062,030	497,078,446
Total equity and liabilities		**854,789,224**	844,211,395	702,165,799

Chairman

Chief Executive Officer

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

Statement of income
For the year ended 31 December 2018

	Notes	2018 AED	2017 AED (Restated)
Insurance premium revenue	18	**509,859,129**	471,736,874
Insurance premium ceded to reinsurers	18	**(210,238,838)**	(188,377,451)
Net retained premium		**299,620,291**	283,359,423
Net change in unearned premium	10	**(14,405,323)**	1,201,548
Net earned premium	18	**285,214,968**	284,560,971
Gross claims settled	10	**(338,791,224)**	(276,532,697)
Reinsurance share of claims settled	10	**147,304,362**	93,406,364
Net claims settled		**(191,486,862)**	(183,126,333)
Change in outstanding claims provision		**946,538**	7,597,162
Net claims incurred	10	**(190,540,324)**	(175,529,171)
Gross commission earned		**40,624,095**	12,537,095
Commission incurred		**(78,075,760)**	(42,888,529)
Net commission incurred		**(37,451,665)**	(30,351,434)
Gross underwriting profit		**57,222,979**	78,680,366
General and administrative expenses relating to underwriting activities		**(42,593,768)**	(41,004,784)
Net underwriting profit		**14,629,211**	37,675,582
Investment income – net	19	**9,099,528**	8,654,406
Other income		**864,537**	3,420,395
Unallocated general and administrative expenses, net		**(10,095,203)**	(7,438,058)
Allowance for doubtful debts reversed/(made)		**6,014,633**	(6,851,315)
Write-off of available-for-sale investments	8	**-**	(7,607,000)
Profit for the year	20	**20,512,706**	27,854,010
Basic and diluted earnings per share	21	**0.19**	0.25

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

Statement of comprehensive income
For the year ended 31 December 2018

	2018 AED	2017 AED (Restated)
Profit for the year	**20,512,706**	27,854,010
Other comprehensive income		
Items that will be reclassified subsequently to profit or loss		
Net change in fair value of FVOCI/available-for-sale investments	**(2,776,937)**	(546,912)
Transfer from equity on sale of available-for-sale securities	-	(745,086)
Items that will not be reclassified subsequently to profit or loss		
Directors' remuneration	**(1,460,000)**	(1,500,000)
Net change in fair value of FVOCI	**(422,466)**	-
Total other comprehensive loss for the year	**(4,659,403)**	(2,791,998)
Total comprehensive income for the year	**15,853,303**	25,062,012

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

Statement of changes in equity
For the year ended 31 December 2018

	Share capital AED	Statutory reserve AED	Voluntary reserve AED	Cumulative change in fair value of FVOCI/available-for-sale securities AED	Retained earnings AED	Total AED
Balance at 31 December 2016 as previously reported	110,000,000	44,510,918	20,000,000	1,141,021	59,197,490	234,849,429
Prior year adjustments (Note 29)	-	(2,339,738)	-	-	(27,422,338)	(29,762,076)
Balance at 31 December 2016 as restated	110,000,000	42,171,180	20,000,000	1,141,021	31,775,152	205,087,353
Profit for the year (restated)	-	-	-	-	27,854,010	27,854,010
Other comprehensive loss	-	-	-	(1,291,998)	(1,500,000)	(2,791,998)
Total comprehensive income for the year (restated)	-	-	-	(1,291,998)	26,354,010	25,062,012
Transfer to statutory reserve (restated)	-	2,785,401	-	-	(2,785,401)	-
Dividend (Note 28)	-	-	-	-	(11,000,000)	(11,000,000)
Balance at 31 December 2017 (restated)	110,000,000	44,956,581	20,000,000	(150,977)	44,343,761	219,149,365
Adjustment on adoption of IFRS 9 (Note 2.1)	-	-	-	-	(22,870,533)	(22,870,533)
Restated balance as at 1 January 2018	110,000,000	44,956,581	20,000,000	(150,977)	21,473,228	196,278,832
Profit for the year	-	-	-	-	20,512,706	20,512,706
Other comprehensive loss	-	-	-	(3,199,403)	(1,460,000)	(4,659,403)
Total comprehensive income for the year	-	-	-	(3,199,403)	19,052,706	15,853,303
Transfer to statutory reserve	-	2,051,271	-	-	(2,051,271)	-
Dividend (Note 28)	-	-	-	-	(16,500,000)	(16,500,000)
Balance at 31 December 2018	**110,000,000**	**47,007,852**	**20,000,000**	**(3,350,380)**	**21,974,663**	**195,632,135**

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

Statement of cash flows
For the year ended 31 December 2018

	2018 AED	2017 AED (Restated)
Cash flows from operating activities		
Profit for the year	**20,512,706**	27,854,010
Adjustments for:		
Depreciation of property and equipment	**1,771,077**	1,881,543
Depreciation of investment properties	**563,617**	563,618
Amortisation of intangible assets	**1,466,762**	1,376,611
Allowance for doubtful debts	**-**	6,851,315
Reversal of impairment loss due to IFRS 9 adoption	**(6,014,633)**	-
Provision of employees' end of service indemnity	**920,182**	796,609
Gain on sale of investment securities	**-**	(645,926)
Unrealized gain/(loss) on FVTPL (held for trading investments)	**32,033**	(89,527)
Income from investment properties	**(787,712)**	(802,067)
Interest income	**(9,718,309)**	(7,014,777)
Dividend income	**(9,166)**	(102,109)
Write off of available-for-sale securities	**-**	7,607,000
Impairment loss on investment properties	**1,383,626**	-
Operating cash flows before changes in operating assets and liabilities	**10,120,183**	38,276,300
Increase in reinsurance contract assets	**(20,220,875)**	(59,991,762)
Increase in deferred acquisition costs	**(1,729,234)**	(6,050,868)
Increase in insurance contract liabilities	**33,679,660**	51,193,052
(Increase)/decrease in insurance and other receivables	**(40,861,642)**	19,245,500
Decrease in insurance and other payables	**2,674,942**	37,995,160
Cash (used in)/generated from operations	**(16,336,966)**	80,667,382
Employees' end of service indemnity paid	**(1,221,024)**	(274,893)
Net cash (used in)/generated from operating activities	**(17,557,990)**	80,392,489

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

Statement of cash flows
For the year ended 31 December 2018 (continued)

	2018 AED	2017 AED (Restated)
Cash flows from investing activities		
Purchase of property and equipment	**(1,480,609)**	(667,438)
Purchase of intangible assets	**(311,241)**	(4,250,543)
Purchase of FVOCI (available-for-sale securities)	**-**	(71,384,640)
Proceeds from sale of FVOCI (available-for-sale securities)	**-**	1,448,136
Proceeds from disposal of property and equipment	**71,737**	-
Interest received	**7,963,373**	4,746,106
Dividend received	**-**	550,033
Income from investment properties - net	**787,712**	802,067
Decrease/(increase) in fixed deposit – net	**74,257,081**	(67,430,447)
Net cash generated from/(used in) investing activities	**81,288,053**	(136,186,726)
Cash flows from financing activities		
Director's remuneration paid	**(1,460,000)**	(1,500,000)
Dividend paid	**(16,500,000)**	(11,170,425)
(Decrease)/increase in bank borrowings	**(1,958,701)**	36,005,609
Net cash (used in)/generated from financing activities	**(19,918,701)**	23,335,184
Net increase/(decrease) in cash and cash equivalents	**43,811,362**	(32,459,053)
Cash and cash equivalents at the beginning of the year	**11,580,882**	44,039,935
Cash and cash equivalents at the end of the year (Note 12)	**55,392,244**	11,580,882

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

Notes to the financial statements
For the year ended 31 December 2018

1. General information

Ras Al-Khaimah National Insurance Company P.S.C. (the "Company") is a public joint-stock company, established and incorporated in the Emirate of Ras Al-Khaimah by Emiri decree No. 20/76 dated 26 October 1976. The Company is subject to the regulations of U.A.E. Federal Law No. 6 of 2007 on Establishment of Insurance Authority and Organization of its Operations and is registered in the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 7. The address of the Company's Registered Head Office is P. O. Box 506, Ras Al-Khaimah, United Arab Emirates.

The principal activity of the Company is to undertake all classes of insurance business including life assurance, saving and accumulation of funds. The Company does not deal in life insurance except for a very small portion of group life. The Company operates through its head office in Ras Al-Khaimah and branch offices in Dubai and Abu Dhabi.

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

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statements. The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements, except for IFRS 9 adoption.

- Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

  The interpretation addresses foreign currency transactions or parts of transactions where:

  - there is consideration that is denominated or priced in a foreign currency;
  - the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income;
  - and the prepayment asset or deferred income liability is non-monetary.

- Amendments to IAS 40 *Investment Property*: Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.

- Amendments to IFRS 2 *Share Based Payment* regarding classification and measurement of share based payment transactions.

- Amendments to IFRS 4 *Insurance Contracts*: Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.

- IFRS 7 *Financial Instruments: Disclosures* relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.

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

2.1 New and revised IFRS applied (continued)

- Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9.

- IFRS 15 *Revenue from Contracts with Customers*

  In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

  The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

- Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

- IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

  IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for certain simple debt instruments.

  The Company has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to amounts previously recognized in the condensed financial statements. The Company did not early adopt any of IFRS 9 in previous periods.

  As permitted by transitional provisions of IFRS 9, the Company elected not to restate the comparative figures. Any adjustments to carrying amount of financial assets and liabilities at the date of transitions were recognized in opening retained earnings and other reserves of the current year.

  The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'. Comparatives for statement of cash flows are not affected on account of this adoption of IFRS 9.

  There were no changes to the classification and measurement of financial liabilities.

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9

Classification and measurement - Financial assets

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

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

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

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

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

  a. the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (OCI); and
  b. the Company may irrevocably designate a debt instrument that meets the amortised cost or FVOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

The Directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- The Company's investments in equity instruments that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVOCI.

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Classification and measurement - Financial assets (continued)

- The Company's investment in corporate bonds that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVOCI because they are held within a business model whose objective is both to collect contractual cash flows and to sell the bonds, and they have contractual cash flows that are solely payments of principal and interest on principal outstanding.

- There is no change in the measurement of the Company's investments that are held for trading; those instruments were and continue to be measured at FVTPL;

None of the other reclassifications of financial assets have had any impact on the Company's financial position, statement of income and statement of other comprehensive income in either year.

Equity instruments at FVOCI

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

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

Debt instruments at amortised cost or at FVOCI

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

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

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

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Financial assets at FVTPL

Financial assets at FVTPL are:

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

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

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss model (ECLs). It is no longer necessary for a credit event to have accrued before credit losses are recognised. The Company recognises loss allowances for expected credit losses on bank balances including statutory and fixed deposits; insurance and other receivables that are not measured at FVTPL; and debt investment measured subsequently at amortised costs or at FVOCI.

No impairment loss is recognised on equity investments.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company has elected to measure loss allowances for insurance and other receivables at an amount equal to life time ECLs. Current accounts with banks, debt investment measured subsequently at amortised costs or at FVOCI, fixed deposits and statutory deposits are assessed to have low credit risk at each reporting date as they are held with reputable international banks.

Loss allowance for financial investments measured at amortised costs are deducted from gross carrying amount of assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue costs or effort. This includes both quantitative and qualitative information and analysis, based on Company's historical experience and informed credit assessment and including forward-looking information. Forward-looking information considered includes the future prospects of the industries in which the Company's receivables operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Impairment (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,
(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
(3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Impairment (continued)

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

Impairment losses related to bank balances including statutory and fixed deposits, debt investments measured at amortised cost or FVOCI, and insurance and other receivables are presented separately in the statement of income.

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

Measurement of ECL

The Company employs statistical models for ECL calculations for bank balances, statutory and fixed deposits. ECLs are a probability-weighted estimate of credit losses. The parameters used in calculation will be derived from our Company's internally developed statistical models and other historical data. They will be adjusted to reflect forward-looking information.

The Company reassessed its impairment loss on its insurance and other receivables portfolio using an expected loss measurement basis using the simplified approach and observed material changes in the impairment loss on such assets.

Credit-impaired financial assets

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

Derecognition of financial assets

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

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

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Presentation of allowance for ECL in the financial statements

The following table reconciles the original measurement categories and carrying amounts in accordance with IAS 39 and the new measurement categories with those under IFRS 9 for the Company's financial assets and financial liabilities as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 AED	Adjustments AED	New carrying amount under IFRS 9 AED
Investments securities – debt (a)	Available-for-sale	FVOCI – debt	70,868,989	(558,118)	70,310,871
Investment securities – equity (b)	Available-for-sale	FVOCI – equity	1,129,134	-	1,129,134
Investment securities – mutual funds	Held for trading	FVTPL	4,274,321	-	4,274,321
Insurance and other receivables (c)	Loans and receivables	Amortised cost	247,921,882	(21,691,655)	226,230,227
Bank balances including statutory and fixed deposits (c)	Loans and receivables	Amortised cost	271,487,963	(620,760)	270,867,203

a) The debt securities represent bonds classified as available-for-sale securities earlier. As permitted by IFRS 9, the Company has designated these investments at the date of initial application as measured at FVOCI.

b) Investments in equity were classified as available-for-sale securities earlier and are classified as FVOCI - equity as per IFRS 9. No impairment loss is recognized on equity investments.

c) Insurance and other receivables and bank balances including statutory and fixed deposits, that were classified as loans and receivables under IAS 39 are now classified as amortised cost.

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

2.1 New and revised IFRS applied (continued)

Significant accounting policies introduced on adoption of IFRS 9 (continued)

Presentation of allowance for ECL in the financial statements (continued)

The impact from the adoption of IFRS 9 as at 1 January 2018 has been to decrease retained earnings by AED 22,870,533.

	Retained earnings AED
Closing balance as at 31 December 2017 – Restated	44,343,761
Impact on recognition of Expected Credit Losses	
Insurance and other receivables	(21,691,655)
Bank balances, fixed and statutory deposits	(620,760)
FVOCI – debt	(558,118)
Opening balance as at 1 January 2018	**21,473,228**

The following table reconciles the closing impairment allowance for financial assets in accordance with IAS 39 as at 31 December 2017 to the opening ECL allowance determined in accordance with IFRS 9 as at 1 January 2018.

	Amount AED
Loss allowance as at 31 December 2017 under IAS 39	24,353,473
Additional impairment recognized at 1 January 2018 on	
Insurance and other receivables	21,691,655
Bank balances, fixed and statutory deposits	620,760
FVOCI – debt	558,118
Loss allowance as at 1 January 2018 as per IFRS 9	**47,224,006**

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

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

2.2 New and revised IFRS in issue but not yet effective and not early adopted

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

New and revised IFRSs	Effective for annual periods beginning on or after
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23.	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments* The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and • The effect of changes in facts and circumstances.	1 January 2019
Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.	1 January 2019
IFRS 16 *Leases* IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	1 January 2019
IFRS 17 *Insurance Contracts* The standard requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.	1 January 2021

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

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

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 19 *Employees Benefits Plan Amendment, Curtailment or Settlement*. The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).	1 January 2019
Amendments to IAS 28 *Investment in Associates and Joint Ventures*: Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely.

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

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

3. Significant accounting policies

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

3.1 Statement of compliance

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

3. Significant accounting policies (continued)

3.2 Basis of preparation

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

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

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

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

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

The principal accounting policies are set out below.

3.3 Insurance contracts

3.3.1 Definition, recognition and measurement

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

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

3.3.2 Short-term insurance contracts

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

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

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

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.2 Short-term insurance contracts (continued)

Medical insurance contracts protect the Company's customers against the risk of incurring medical expenses. Medical selection is part of the Company's underwriting procedures, whereby contributions are charged to reflect the health condition and family medical history of the applicants. Pricing is based on assumptions, such as mortality and persistency, which consider past experience and current trends. Contracts including specific risks and guarantees are tested for profitability according to predefined procedures before approval.

Products are reviewed by the business units on an annual basis to confirm, or otherwise, that pricing assumptions remain appropriate. Analysis is performed on earnings and liability movements to understand the source of any material variation in actual results from what was expected. This confirms the appropriateness of assumptions used in underwriting and pricing.

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

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

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

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

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.3 Reinsurance contracts

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

3.3.4 Insurance contract liabilities

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

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

3.3.5 Deferred policy acquisition costs (DAC)

Commissions and other acquisition costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as an intangible asset (DAC). All other costs are recognised as expenses when incurred. DAC is amortised over the terms of the policies as premium is earned;

3.3.6 Salvage and subrogation reimbursements

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

3.3.7 Liability adequacy test

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

3. Significant accounting policies (continued)

3.3 Insurance contracts (continued)

3.3.8 Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivable is impaired, the Company reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. The Company gathers the objective evidence that an insurance receivable is impaired using the same process adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets

3.4 Revenue recognition

3.4.1 Insurance contract income

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

3.4.2 Interest income

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

3.4.3 Dividend income

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

3.4.4 Rental income

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

3.4.5 Deferred commission income

Commission received when the reinsurance premium is ceded based on the terms and percentages agreed with the reinsurers is recognised as deferred commission income. These commissions are recognised as commission income using the same methodology adopted for the amortization of DAC.

3.5 General and administrative expenses

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

3. Significant accounting policies (continued)

3.6 Foreign currencies

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

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

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

3.7 Employee benefits

3.7.1 Defined contribution plan

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

3.7.2 Provision for employees' end of service indemnity

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

3.8 Property and equipment

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

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

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

Buildings	25 years
Furniture and fixtures	4 years
Office equipment	4 years
Motor vehicles	4 years
Computer equipment	4 years

3. Significant accounting policies (continued)

3.9 Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Cost includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of an investment property.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The useful life of investment properties is estimated at 30 years.

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

3.10 Intangible assets

Intangible assets are reported at cost less accumulated amortisation and identified impairment losses, if any. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful lives considered in the calculation of amortisation is 10 years.

3.11 Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

3. Significant accounting policies (continued)

3.12 Provisions

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

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

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

3.13 Borrowing costs

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

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

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

3.14 Leasing

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

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

3.15 Financial assets

These accounting policies (mentioned in 3.15) are for comparative figures. Refer to Note 2.1 for the accounting policies introduced on adoption of IFRS 9.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at held for trading, which are initially measured at fair value.

Financial assets of the Company are classified into the following specified securities categories: cash and cash equivalents, available-for-sale (AFS securities), held for trading investments, held to maturity investments and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

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

3.15.1 Bank balances and cash

Bank balances and cash comprise cash on hand and fixed deposits and current and call accounts with banks that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3.15.2 Held for trading investment

Financial assets are classified as at held for trading, where the financial assets is either held for trading or is designated as such on initial recognition.

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.

Investment held for trading are stated at fair value, with any resultant gain or loss recognised in profit or loss.

3.15.3 AFS securities

Listed shares held by the Company that are traded in an active market and quoted debt instruments are classified as being AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the cumulative changes in fair value of available-for-sale securities reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the cumulative change in fair value is reclassified to profit or loss.

Dividend on AFS securities are recognised in profit or loss when the Company's right to receive the dividend is established.

3.15.4 Loans and receivables

Insurance and other receivables (excluding prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are initially measured at fair value, plus transaction costs and subsequently measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. Significant accounting policies (continued)

3.15 Financial assets (continued)

3.15.5 Impairment of financial assets

Financial assets, other than those at held for trading, are assessed for indicators of impairment at the end of each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been affected.

For investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

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

For held to maturity investment, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables, where the carrying amount is reduced through the use of an allowance account. When a contract receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS securities is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

With the exception of AFS, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3.15.6 Derecognition of financial assets

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

3. Significant accounting policies (continued)

3.16 Financial liabilities and equity instruments issued by the Company

3.16.1 Classification as debt or equity

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

3.16.2 Equity instruments

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

3.16.3 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

3.16.4 Other financial liabilities

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

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

3.16.5 Derecognition of financial liabilities

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

3.16.6 Dividend distribution

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

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3 to these financial statements, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

4.1 Critical accounting judgements

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

4.1.1 Classification of investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, held for trading or AFS. The Company classifies investments at held for trading if they are acquired primarily for the purpose of making a short term profit by the dealers.

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

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

4.1.2 Classification of properties

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

4.1.3 Business model assessment

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

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

4.2 Key sources of estimation uncertainty

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

4.2.1 The ultimate liability arising from claims made under insurance contracts

The estimation of ultimate liability arising from the claims made under insurance contracts is the Company's most critical accounting estimate. There are sources of uncertainty that need to be considered in the estimate of the liability that the Company will eventually pay for such claims. Estimates have to be made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported ("IBNR") at the end of each reporting period. Liabilities for unpaid reported claims are estimated using the input of assessments for individual cases reported to the Company and management estimates based on internal and external actuarial assessment, taking into account the historical data of the claims reported and settlement pattern. Further, a range of methods are used by management and the internal actuary/independent external actuary to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Changes in these assumptions can result in material impacts to the valuation of these liabilities. Such method takes into account the best estimates of the future contractual cash flows estimated based on the historical data. At the end of each reporting period, prior year claims estimates are reassessed for adequacy and changes are made to the provision.

4.2.2 Impairment of insurance receivables (applicable before 1 January 2018)

An estimate of the collectible amount of insurance receivables is made when collection of the full amount is no longer probable. This determination of whether the insurance receivables are impaired, entails the Company evaluating, the credit and liquidity position of the policyholders and the insurance companies, historical recovery rates including detailed investigations carried out during 2017 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

4.2.3 Liability adequacy test

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

4.2.4 Amortization of deferred acquisition costs ("DAC") and deferred commission income

Deferred acquisition costs are amortized using methods that provide the most appropriate bases of recognizing acquisition costs as expenses in line with the recognition of revenue from related insurance contracts. The various assumptions, inputs and estimates are used in these calculations by management.

4.2.5 Depreciation of property and equipment and investment property

The cost of property and equipment and investment property is depreciated over the estimated useful life, which is based on expected usage of the asset, expected physical wear and tear, the repair and maintenance program and technological obsolescence arising from changes and the residual value. Management has not considered any residual value as it is deemed immaterial. Based on the impairment test performed by management, impairment of AED 1.4 million (2017: nil) was recorded towards investment properties.

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

4.2 Key sources of estimation uncertainty (continued)

4.2.6 Impairment of intangible assets

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

4.2.7 Impairment of available-for-sale securities

Refer Note 2.1 regarding impairment of available-for-sale securities for 2018. For 2017, the Company determines whether available for sale securities 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 judgement. 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.

4.2.8 Calculation of loss allowance

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

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

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

5. Property and equipment

	Land AED	Building AED	Furniture and fixtures AED	Office equipment AED	Motor vehicles AED	Computer equipment AED	Total AED
Cost							
At 31 December 2016	1,000,000	4,869,130	4,927,708	896,813	858,464	3,800,717	16,352,832
Additions during the year	-	-	474,205	57,427	-	135,806	667,438
At 31 December 2017	1,000,000	4,869,130	5,401,913	954,240	858,464	3,936,523	17,020,270
Additions during the year		-	666,010	36,365	324,241	453,993	1,480,609
Disposals	-	-	-	(3,804)	(370,000)	(11,256)	(385,060)
At 31 December 2018	**1,000,000**	**4,869,130**	**6,067,923**	**986,801**	**812,705**	**4,379,260**	**18,115,819**
Accumulated depreciation							
At 31 December 2016	-	2,727,248	3,278,145	594,696	384,005	2,184,902	9,168,996
Charge for the year	-	194,765	759,192	146,109	195,641	585,836	1,881,543
At 31 December 2017	-	2,922,013	4,037,337	740,805	579,646	2,770,738	11,050,539
Charge for the year	-	192,806	766,097	112,969	156,658	542,547	1,771,077
Disposals	-	-	-	(3,647)	(300,625)	(9,051)	(313,323)
At 31 December 2018	-	**3,114,819**	**4,803,434**	**850,127**	**435,679**	**3,304,234**	**12,508,293**
Carrying amount							
At 31 December 2018	**1,000,000**	**1,754,311**	**1,264,489**	**136,674**	**377,026**	**1,075,026**	**5,607,526**
At 31 December 2017	1,000,000	1,947,117	1,364,576	213,435	278,818	1,165,785	5,969,731

At 31 December 2018, the cost of fully depreciated property and equipment that was still in use amounted to AED 5,308,830 (2017: AED 4,984,696).

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

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

6. Investment properties

	Land AED	Buildings AED	Total AED
Cost			
At 31 December 2016, 2017 and 2018	**2,500,000**	**16,908,529**	**19,408,529**
Accumulated depreciation and impairment			
At 31 December 2016	-	565,166	565,166
Charge for the year	-	563,618	563,618
At 31 December 2017	-	1,128,784	1,128,784
Charge for the year	-	563,617	563,617
Impairment	-	1,383,626	1,383,626
At 31 December 2018	-	**3,076,027**	**3,076,027**
Carrying amount			
At 31 December 2018	**2,500,000**	**13,832,502**	**16,332,502**
At 31 December 2017	2,500,000	15,779,745	18,279,745

Investment properties are located in U.A.E.

The fair value of the Company's investments properties as at 31 December 2018 amounted to AED 18.45 million (2017: AED 20.6 million) and have been arrived at on the basis of valuations carried by external valuers who have appropriate market experience in the valuation of properties in the United Arab Emirates.

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

The Company's investment properties are classified as Level 3 in the fair value hierarchy as at 31 December 2018 (2017: Level 3).

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

	2018 AED	2017 AED
Rental income	**911,282**	924,049
Direct operating expenses	**(123,570)**	(121,982)
Income from investment properties (Note 19)	**787,712**	802,067

7. Intangible assets

	Computer software AED
Cost	
At 31 December 2016	10,250,611
Additions during the year	4,250,543
At 31 December 2017	14,501,154
Additions during the year	311,241
At 31 December 2018	**14,812,395**
Accumulated amortization	
At 31 December 2016	1,148,034
Charge for the year	1,376,611
At 31 December 2017	2,524,645
Charge for the year	1,466,762
At 31 December 2018	**3,991,407**
Carrying amount	
At 31 December 2018	**10,820,988**
At 31 December 2017	11,976,509

8. Investment in securities

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

	2018 AED	2017 AED
FVTPL (2017: Held for trading)	**4,242,288**	4,274,321
FVOCI (2017: Available-for-sale investments)	**68,473,741**	71,998,123
Less: Provision for impairment	**(537,097)**	-
	67,936,644	71,998,123
	72,178,932	76,272,444

Financial investments at FVTPL (2017: Held for trading) comprise of investments in funds within United Arab Emirates.

FVOCI investments (2017: Available-for-sale securities) comprise of quoted equity shares and debt instruments within G.C.C.

During the year, the Company has charged amortization of premium on debt instruments to profit or loss amounting to AED 324,979.

8. Investment in securities (continued)

The movement in FVOCI/(available-for-sale securities) is as follows:

	2018 AED	2017 AED
Balance at the beginning of the year	**71,998,123**	10,314,691
Purchases	-	71,384,640
Net change in fair value	**(3,199,403)**	(546,912)
Disposals	-	(1,547,296)
Impairment	-	(7,607,000)
Amortisation of premium on debt instruments to profit or loss	**(324,979)**	-
Less: Provision for impairment	**(537,097)**	-
Balance at the end of the year	**67,936,644**	71,998,123

Certain FVOCI/(available-for-sale investments) are assigned to a Bank against the short term loans extended by Bank (Note 17).

Details of provision for impairment are as follows:

	Amount AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	558,118
Balance as at 1 January 2018	558,118
Less: Reversal of provision for impairment	(21,021)
Balance as at 31 December 2018	**537,097**

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

9. Statutory deposit

A deposit of AED 10,000,000 (2017: AED 10,000,000) has been placed with one of the Company's bankers, in accordance with local insurance regulatory requirements. This deposit has been pledged to the Bank as security against a guarantee issued by the Bank in favour of the Insurance Authority for the same amount. This deposit cannot be withdrawn without prior approval of the Insurance Authority and bears an interest rate of 3.25% per annum. (2017: 3.25% per annum).

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

10. Insurance contract liabilities and reinsurance contract assets

	2018 AED	2017 AED (Restated)	2016 AED (Restated)
Insurance contract liabilities			
- Claims reported unsettled	**112,644,230**	114,307,056	114,618,561
- Unallocated loss adjustment expense reserve	**2,731,899**	2,751,125	2,530,701
- Claims incurred but not reported	**58,529,859**	51,170,937	43,283,000
- Unearned premium	**250,597,253**	222,594,463	179,198,267
	424,503,241	390,823,581	339,630,529
Reinsurance contract assets			
- Claims reported unsettled	**(84,016,482)**	(85,531,403)	(77,826,301)
- Claims incurred but not reported	**(29,757,202)**	(21,618,873)	(13,929,957)
- Deferred reinsurance premiums	**(95,771,431)**	(82,173,964)	(37,576,220)
	(209,545,115)	(189,324,240)	(129,332,478)
Insurance contract liabilities - net			
- Claims reported unsettled	**28,627,748**	28,775,653	36,792,260
- Unallocated loss adjustment expense reserve	**2,731,899**	2,751,125	2,530,701
- Claims incurred but not reported	**28,772,657**	29,552,064	29,353,043
- Unearned premiums	**154,825,822**	140,420,499	141,622,047
	214,958,126	201,499,341	210,298,051

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

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

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

	2018 Gross AED	2018 Reinsurance AED	2018 Net AED	2017 – (Restated) Gross AED	2017 – (Restated) Reinsurance AED	2017 – (Restated) Net AED
Claims						
Notified claims	**114,307,056**	**(85,531,403)**	**28,775,653**	114,618,561	(77,826,301)	36,792,260
Unallocated loss adjustment expense reserve	**2,751,125**	**-**	**2,751,125**	2,530,701	-	2,530,701
Incurred but not reported	**51,170,937**	**(21,618,873)**	**29,552,064**	43,283,000	(13,929,957)	29,353,043
Total at the beginning of the year (restated)	**168,229,118**	**(107,150,276)**	**61,078,842**	160,432,262	(91,756,258)	68,676,004
Claims settled in the year	**(338,791,224)**	**147,304,362**	**(191,486,862)**	(276,532,697)	93,406,364	(183,126,333)
Increase in liabilities	**344,468,094**	**(153,927,770)**	**190,540,324**	284,329,553	(108,800,382)	175,529,171
Total at the end of the year	**173,905,988**	**(113,773,684)**	**60,132,304**	168,229,118	(107,150,276)	61,078,842
Notified claims	**112,644,230**	**(84,016,482)**	**28,627,748**	114,307,056	(85,531,403)	28,775,653
Unallocated loss adjustment expense reserve	**2,731,899**	**-**	**2,731,899**	2,751,125	-	2,751,125
Incurred but not reported	**58,529,859**	**(29,757,202)**	**28,772,657**	51,170,937	(21,618,873)	29,552,064
Total at the end of the year	**173,905,988**	**(113,773,684)**	**60,132,304**	168,229,118	(107,150,276)	61,078,842
Unearned premium						
Total at the beginning of the year (restated)	**222,594,463**	**(82,173,964)**	**140,420,499**	179,198,267	(37,576,220)	141,622,047
Increase during the year	**250,597,253**	**(95,771,431)**	**154,825,822**	222,594,463	(82,173,964)	140,420,499
Release during the year	**(222,594,463)**	**82,173,964**	**(140,420,499)**	(179,198,267)	37,576,220	(141,622,047)
Net increase/(decrease) during the year (Note 18)	**28,002,790**	**(13,597,467)**	**14,405,323**	43,396,196	(44,597,744)	(1,201,548)
Total at the end of the year	**250,597,253**	**(95,771,431)**	**154,825,822**	222,594,463	(82,173,964)	140,420,499

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

11. Insurance and other receivables

	2018 AED	2017 AED (Restated)	2016 AED (Restated)
Premium receivable	**207,711,111**	213,689,035	208,734,208
Reinsurance companies	**10,544,208**	14,365,737	10,882,679
Insurance agents and brokers	**787,740**	938,958	834,868
Due from related parties (Note 22)	**12,580,062**	13,689,788	14,871,136
Accrual of interest and other income	**7,687,454**	6,115,523	4,007,720
Advances and prepayments	**5,124,804**	1,694,010	5,494,911
Deferred capitation fee	**44,427,800**	20,795,356	29,162,655
Other receivables	**23,925,881**	986,948	16,705,051
	312,789,060	272,275,355	290,693,228
Less: Allowance for doubtful receivables	**(38,235,258)**	(24,353,473)	(18,495,278)
	274,553,802	247,921,882	272,197,950

The average credit period is 90 days. No interest is charged on outstanding receivables. Receivables are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

The Company always measures the loss allowance for receivables at an amount equal to lifetime ECL. The expected credit losses on insurance receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 70% (1 January 2018: 100%) against all insurance receivables and 25% (1 January 2018: 50%) against reinsurance receivables over 365 days past due because historical experience has indicated that these receivables are generally not all recoverable. The ECL rate used for past due receivables less than 365 days is 10% (1 January 2018: 11%) which includes forward looking rate of 2% (1 January 2018: 1%). For receivables that are not yet due, the Company considered 1%.

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

Before accepting any new customer, the Company assesses the potential customers' credit quality and defines credit limits by customer. Of the due from receivables balance at the end of year, AED 30 million (2017: AED 12.3 million) is due from the Company's largest customer.

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

11. Insurance and other receivables (continued)

Ageing of insurance receivables:

	2018 AED	2017 AED (Restated)	2016 AED (Restated)
0 - 90 days	**152,157,366**	168,452,696	138,433,125
91 - 180 days	**27,629,585**	20,924,899	28,681,550
181 - 270 days	**6,931,252**	9,363,739	16,690,688
Above 271 days	**44,904,918**	43,942,184	51,517,528
	231,623,121	242,683,518	235,322,891
Less: Allowance for doubtful debts	**(38,235,258)**	(24,353,473)	(18,495,278)
	193,387,863	218,330,045	216,827,613

Movements in allowance for doubtful debts (insurance and other receivables):

	2018 AED	2017 AED
Balance at beginning of the year	**24,353,473**	18,495,278
Initial application of IFRS 9 (Note 2.1)	**21,691,655**	-
Balance as at 1 January	**46,045,128**	18,495,278
(Reversal)/provision for impairment allowance for the year	**(5,936,445)**	6,851,315
Write-off for the year	**(1,873,425)**	(993,120)
Balance at the end of the year	**38,235,258**	24,353,473

12. Bank balances and cash

	2018 AED	2017 AED
Cash in hand	**167,283**	115,299
Current accounts with bank	**55,788,554**	11,465,583
Total cash and current accounts with banks (A)	**55,955,837**	11,580,882
Fixed deposits with maturities greater than 3 months	**175,350,000**	249,607,081
Fixed deposits under lien	**300,000**	300,000
Less: Provision for impairment	**(563,593)**	-
Total fixed deposits (B)	**175,086,407**	249,907,081
Total bank balances and cash (A + B)	**231,042,244**	261,487,963
Less: fixed deposits with maturities of greater than three months	**(175,350,000)**	(249,607,081)
Less: fixed deposits under lien	**(300,000)**	(300,000)
Cash and cash equivalents	**55,392,244**	11,580,882

12. Bank balances and cash (continued)

Fixed deposits are under lien against letters of guarantee issued to the Company (Note 23).

The interest rate on fixed deposits with banks is 2.0% to 4.8% (2017: 1.5% to 4.8%) per annum. All fixed deposits are held in local banks in the United Arab Emirates.

Details of provision for impairment as per IFRS 9 are as follows:

	Amount AED
Balance as at 31 December 2017	-
Add: Provision on initial application of IFRS 9 (Note 2.1)	620,760
Balance as at 1 January 2018	620,760
Less: Reversal of provision for impairment	(57,167)
Balance as at 31 December 2018	**563,593**

13. Share capital

	2018 AED	2017 AED
Authorised, issued and fully paid:		
110,000,000 ordinary shares of AED 1 each (2017: 110,000,000 ordinary shares of AED 1 each)	**110,000,000**	110,000,000

14. Reserves

14.1 Statutory reserve

In accordance with U.A.E. Federal Law Number (2) of 2015, the Company has established a statutory reserve by appropriation of 10% of profit for each year until the reserve equals 50% of the paid-up share capital. This reserve is not available for distribution except as stipulated by the Law.

14.2 Voluntary reserve

As per Articles of Association, voluntary reserve can be created upon a recommendation of the Board of Directors and this reserve cannot be utilized for any other purpose unless approved by the Ordinarily General meeting. No transfer to voluntary reserve is made during 2018 and 2017.

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

15. Provision for employees' end of service indemnity

Movements in the net liability were as follows:

	2018 AED	2017 AED
Balance at the beginning of the year	**5,330,571**	4,808,855
Amounts charged to income during the year	**920,182**	796,609
Amounts paid during the year	**(1,221,024)**	(274,893)
	5,029,729	5,330,571

16. Insurance and other payables

	2018 AED	2017 AED (Restated)	2016 AED (Restated)
Creditors	**73,849,160**	72,905,114	59,715,279
Reinsurance companies	**50,888,161**	73,725,317	58,024,399
Due to related parties (Note 22)	**23,199,014**	168,248	67,964
Accrued expenses	**6,634,281**	1,708,214	515,750
Employees' benefits	**2,991,632**	3,964,151	2,407,000
Commission payable	**23,616,107**	26,763,008	21,930,976
Deferred reinsurance commission	**7,865,908**	8,403,509	3,617,230
Other payable balances	**4,477,188**	3,208,948	4,134,279
Dividends payable	**2,055,760**	2,055,760	2,226,185
	195,577,211	192,902,269	152,639,062

17. Bank borrowings

	2018 AED	2017 AED
Short term bank loans (Note 22)	**34,046,908**	36,005,609

Short term bank loans are secured by assignment of certain investments in favor of Bank. These loans carry an average interest rate of 4.04% (2017: 2.85%) per annum.

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

18. Net insurance premium revenue

	2018 AED	2017 AED (Restated)
Gross premium written		
Gross premium written	**509,859,129**	471,736,874
Change in unearned premium (Note 10)	**(28,002,790)**	(43,396,196)
	481,856,339	428,340,678
Reinsurance premium ceded		
Reinsurance premium ceded	**(210,238,838)**	(188,377,451)
Change in unearned premium (Note 10)	**13,597,467**	44,597,744
	(196,641,371)	(143,779,707)
Net insurance premium revenue	**285,214,968**	284,560,971

19. Investment income – (net)

	2018 AED	2017 AED
Dividend from investments	**9,166**	102,109
Income from investment properties (Note 6)	**787,712**	802,067
Interest income	**9,718,309**	7,014,777
Profit from disposal of investment securities	**-**	645,926
Unrealised (loss)/gain on held for trading investments	**(32,033)**	89,527
Impairment of investment properties	**(1,383,626)**	-
	9,099,528	8,654,406

20. Profit for the year

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

	2018 AED	2017 AED
Staff costs	**34,294,470**	32,977,078
Depreciation of property and equipment	**1,771,077**	1,881,543
Amortisation of intangible assets	**1,466,762**	1,376,611
Depreciation of investment properties	**563,617**	563,618

Social contributions during the year amounted to AED 5,880 (2017: AED 38,650).

21. Basic and diluted earnings per share

	2018	2017 (Restated)
Profit for the year (in AED)	**20,512,706**	27,854,010
Weighted average number of shares	**110,000,000**	110,000,000
Basic and diluted earnings per share (in AED)	**0.19**	0.25

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

22. Related party transactions

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

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

	2018 AED	2017 AED
Due from policyholders (Note 11)	**12,580,062**	13,689,788
Due to policyholders (Note 16)	**23,199,014**	168,248
Fixed deposit	**40,650,000**	110,650,000
Bank borrowings (Note 17)	**34,046,908**	36,005,609

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Transactions:

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

	2018 AED	2017 AED
Gross premium written	**50,341,378**	75,776,027
Claims paid	**33,539,152**	7,170,415
Dividend	**15,178,146**	10,118,764
Interest costs	**2,624,805**	37,061

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

22. Related party transactions (continued)

Compensation of board of directors/key management personnel

	2018 AED	2017 AED
Short-term benefits	**5,373,362**	5,110,528
Long-term benefits	**417,452**	206,528
Board of directors' remuneration	**1,460,000**	1,500,000

23. Contingent liabilities

	2018 AED	2017 AED
Letters of guarantee	**10,675,633**	10,675,633

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

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

24. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the nature of an insurance contract, this risk is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of claims. The objective of the Company is to ensure that sufficient reserves are available to cover these liabilities.

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

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

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

24. Insurance risk (continued)

24.1 Frequency and severity of claims

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

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

The reinsurance arrangements include excess and catastrophe coverage. The effect of such reinsurance arrangements is that the Company should not suffer net insurance losses of a set limit of AED 300,000 for motor and AED 12,000 for medical class of business in any one policy. The Company has survey units dealing with the mitigation of risks surrounding claims. This unit investigates and recommends ways to improve risk claims. The risks are reviewed individually at least once a year and adjusted to reflect the latest information on the underlying facts, current law, jurisdiction, contractual terms and conditions, and other factors. The Company actively manages and pursues early settlements of claims to reduce its exposure to unpredictable developments.

24.2 Sources of uncertainty in the estimation of future claim payments

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

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

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

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

24. Insurance risk (continued)

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

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

In calculating the estimated cost of unpaid claims (both reported and not), the Company's estimation techniques are a combination of loss-ratio-based estimates and an estimate based upon actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes. The initial loss-ratio estimate is an important assumption in the estimation technique and is based on previous years' experience, adjusted for factors such as premium rate changes, anticipated market experience and historical claims inflation. The initial estimate of the loss ratios used for the current year (before reinsurance) are analysed by type of risk where the insured operates for current and prior year premiums earned.

24.3 Process used to decide on assumptions

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

The choice of selected results for each accident year of each class of business depends on an assessment of the technique that has been most appropriate to observed historical developments. In certain instances, this has meant that different techniques or combinations of techniques have been selected for individual accident years or groups of accident years within the same class of business. The Company has an internal actuary and independent external actuaries are also involved in the valuation of technical reserves of the Company.

24.4 Concentration of insurance risk

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

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

24.5 Sensitivity of underwriting profit and losses

The contribution by the insurance operations is a profit of AED 14.6 million for the year ended 31 December 2018 (2017 (restated): AED 37.7 million). The Company does not foresee any major impact from insurance operations to the Company's results and expects to increase the contribution by insurance operations to the profitability due to the following reasons:

The Company has an overall retention level of 59% (2017 (restated): 60%). The risk is adequately covered by excess of loss reinsurance programs to guard against major financial impact.

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

25. Capital risk management

The Company's objectives when managing capital are:

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

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

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

	2018 AED	2017 AED
Total capital held	**110,000,000**	110,000,000
Minimum regulatory capital	**100,000,000**	100,000,000

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

As per Article (8) of Section (2) of financial regulations issued for insurance companies in UAE, the Company shall at all times comply with the requirement of solvency margins. As of 31 December 2018, the Company is confident of complying with solvency margins.

25. Capital risk management (continued)

25.1 Gearing ratio

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

The gearing ratio at the year end was as follows:

	2018 AED	2017 AED (Restated)
Debt (i)	**34,046,908**	36,005,609
Bank balances and cash (Note 12)	**(231,042,244)**	(261,487,963)
Net debt	**(196,995,336)**	(225,482,354)
Equity (ii)	**195,632,135**	219,149,365
Net debt to equity ratio	**Favorable**	Favorable

(i) Debt is defined as bank borrowings (Note 17).
(ii) Equity includes share capital, statutory reserve, voluntary reserve, cumulative changes in fair value of FVOCI/(available-for-sale securities) and retained earnings.

26. Financial instruments

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

26.1 Significant accounting policies

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

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

26. Financial instruments (continued)

26.2 Categories of financial instruments

	2018 AED	2017 AED (Restated)	2016 AED (Restated)
Financial assets			
FVOCI investments (available-for-sale securities)	**67,936,644**	71,998,123	10,314,691
FVTPL investments (held for trading investments)	**4,242,288**	4,274,321	4,184,794
Statutory deposit – at amortised cost	**10,000,000**	10,000,000	10,000,000
Insurance and other receivables – at amortised cost	**225,001,198**	225,432,516	237,540,384
Bank balances and cash – at amortised cost	**231,042,244**	261,487,963	224,078,097
Total	**538,223,374**	573,192,923	486,117,966
Financial liabilities			
Insurance and other payables – at amortised cost	**187,711,303**	184,498,760	149,021,832
Bank borrowings – at amortised cost	**34,046,908**	36,005,609	-
Total	**221,758,211**	220,504,369	149,021,832

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

26.3 Fair value measurements

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

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

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

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

26. Financial instruments (continued)

26.4 Fair value of financial instruments carried at amortised cost

Management considers that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values except for financial investments measured at amortised cost of which fair value is determined based on the quoted market prices and disclosed in note 6 of these financial statements.

Valuation techniques and assumptions applied for the purposes of measuring fair value

26.4.1 Fair value measurements recognised in the statement of financial position

Some of the Company's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined:

Financial assets	**Fair value as at 2018 AED**	2017 AED	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant unobservable input**	**Relationship of unobservable inputs to fair value**
FVOCI (Available-for-sale securities)						
Quoted debt	**67,229,976**	70,868,989	Level 1	Quoted bid prices in an active market.	None.	NA
Quoted equity	**706,668**	1,129,134	Level 1	Quoted bid prices in an active market.	None.	NA
FVTPL (Held for trading investments)						
Funds	**4,242,288**	4,274,321	Level 1	Quoted bid prices in an active market.	None.	NA

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

26.5 Market risk

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

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

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

26. Financial instruments (continued)

26.6 Foreign currency risk

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

26.7 Credit risk

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

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

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

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

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

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

For receivables the Company has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Notes 2.1 include further details on the loss allowance for these assets respectively.

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

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

26. Financial instruments (continued)

26.7 Credit risk (continued)

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

	2018 AED	2017 AED
Europe	7,565,239	854,784
Other G.C.C. countries	6,859	420,983

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

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

26.8 Liquidity risk

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

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

	Less than 30 days AED	31-90 days AED	91-180 days AED	181 - 365 days AED	Above 365 days AED	Total AED
31 December 2018						
Financial assets						
FVOCI investments (Available-for-sale securities)	-	-	-	-	67,936,644	67,936,644
FVTPL investments (Held for trading investments)	4,242,288	-	-	-	-	4,242,288
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Insurance and other receivables	50,150,890	86,873,825	30,443,870	30,055,300	26,477,313	225,001,198
Bank balances and cash	55,392,244	45,000,000	-	40,350,000	90,300,000	231,042,244
	110,785,422	131,873,825	30,443,870	70,405,300	194,713,957	538,222,374
Financial liabilities						
Insurance and other payables	43,416,040	36,672,274	37,800,756	14,600,606	55,221,627	187,711,303
Bank borrowings	-	34,046,908	-	-	-	34,046,908
	43,416,040	70,719,182	37,800,756	14,600,606	55,221,627	221,758,211

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

26. Financial instruments (continued)

26.8 Liquidity risk (continued)

The maturity profile of the financial assets and financial liabilities at the reporting date based on contractual repayment arrangements was as follows:

	Less than 30 days AED	31-90 days AED	91-180 days AED	181 - 365 days AED	Above 365 days AED	Total AED
31 December 2017- Restated						
Financial assets						
FVOCI investments (Available-for-sale securities)	-	-	-	-	71,998,123	71,998,123
FVTPL investments (Held for trading investments)	4,274,321	-	-	-	-	4,274,321
Statutory deposit	-	-	-	-	10,000,000	10,000,000
Insurance and other receivables	170,819,559	25,491,438	9,532,810	12,582,732	7,005,977	225,432,516
Bank balances and cash	18,580,881	33,640,393	30,000,000	88,966,689	90,300,000	261,487,963
	193,674,761	59,131,831	39,532,810	101,549,421	179,304,100	573,192,923
Financial liabilities						
Insurance and other payables	31,630,390	47,107,909	31,762,687	27,996,238	46,001,536	184,498,760
Bank borrowings	-	36,005,609	-	-	-	36,005,609
	31,630,390	83,113,518	31,762,687	27,996,238	46,001,536	220,504,369

The Company's exposure to interest rate risk relates to its bank deposits, debt instrument and bank borrowings. At 31 December 2018, bank deposits carried interest at the range of 2.0% to 4.8% per annum (2017: 1.15% to 4.8% per annum) while the bank borrowings carry an average interest rate of 4% per annum (2017: 2.85%).

If interest rates had been 50 basis points higher/lower throughout the year and all other variables were held constant, the Company's profit for the year ended 31 December 2018 and equity as at 31 December 2018 would increase/decrease by approximately AED 1,320,290 (2017: AED 1,702,795). The Company's sensitivity to interest rates has not changed significantly from the prior year.

26.10 Equity price risk

26.10.1 Sensitivity analysis

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

- profit for the year would have decreased/increased by AED 424,228 (2017: AED 427,432).
- other comprehensive income and equity would have increased/decreased by AED 6,793,664 (2017: AED 7,199,812).

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

26. Financial instruments (continued)

26.9 Interest risk

26.10 Equity price risk (continued)

26.10.2 Method and assumptions for sensitivity analysis

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

27. Segment information

The Company is organised into two segments: Underwriting and investments. Underwriting segment incorporates all classes of general insurance including fire, marine, medical, motor, general accident and other classes of insurance.

Investments segment includes investments in U.A.E. marketable equity securities, term deposits with banks, investment properties, trading investments and other securities. These segments are the basis on which the Company reports its primary segment information to the Managing Director. Insurance premium represents the total income arising from insurance contracts. The Company does not conduct any business outside U.A.E. There are no transactions between the business segments.

Segmental information is presented below:

The following is an analysis of the Company's revenue classified by major underwriting departments:

	2018 AED	2017 AED
Motor	**43,275,484**	30,520,122
Marine and aviation	**4,474,322**	4,328,378
Group life and medical insurance	**380,275,105**	340,178,679
Engineering, fire, general accidents and others	**81,834,218**	96,709,695
	509,859,129	471,736,874

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

27. Segment information (continued)

	For the year ended 31 December 2018			For the year ended 31 December 2017 (Restated)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment revenue	509,859,129	-	509,859,129	471,736,874	-	471,736,874
Segment result	15,493,748	9,099,528	24,593,276	41,095,977	1,047,406	42,143,383
Unallocated costs (net)			(4,080,570)			(14,289,373)
Profit for the year			20,512,706			27,854,010

	31 December 2018			31 December 2017 (Restated)		
	Underwriting AED	Investments AED	Total AED	Underwriting AED	Investments AED	Total AED
Segment assets	519,107,032	263,297,841	782,404,873	470,525,003	344,159,270	814,684,273
Unallocated assets			72,384,351			29,527,122
Total Assets			854,789,224			844,211,395
Segment liabilities	618,024,692	34,046,908	652,071,600	581,670,090	36,005,609	617,675,699
Unallocated liabilities			7,085,489			7,386,331
Total Liabilities			659,157,089			625,062,030

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

28. Dividend and Directors' remuneration

At the Annual General Meeting held on 7 March 2018 the Shareholders approved a cash dividend of AED 16.5 million (5 fils per share) for 2017 (for 2016 AED 11 million - 10 fils per share). The Shareholders also approved Board of Directors' remuneration of AED 1.5 million for 2017 (2016: AED 1.5 million).

The Board of Directors' propose that a dividend of AED 10 fils per share amounting to AED 11 million and 5% bonus shares amounting to AED 5.5 million be paid to shareholders in 2019. Further, the Board of Directors propose Board of Directors' remuneration of AED 1.5 million for 2018. These are subject to approval by the shareholders at the Annual General Meeting and have not been included as a liability in these financial statements.

29. Prior year adjustments and comparative information

The comparative amounts for the years ended 2017 and 2016 have been restated due to correction of prior period error relating to inaccurate codification and accounting of certain transactions which resulted in understatement of reinsurance related expenses and reinsurance related liabilities presented in 2016 and 2017.

In accordance with the requirements of 'IAS 1 Presentation of Financial Statements' and 'IAS 8 Accounting policies, Changes in Estimates and Errors', the above items have been corrected retrospectively and accordingly balances in the financial statements for the year 2017 and 2016 have been restated as follows:

Reconciliation of restated and previously reported amounts in the statement of financial position as at 31 December 2016 and 2017

	As previously reported at 31 December 2017 AED	Adjusted AED	As restated at 31 December 2017 AED
Reinsurance contract assets	187,128,689	2,195,551	189,324,240
Insurance and other receivables	267,366,335	(19,444,453)	247,921,882
Deferred acquisition cost	23,600,863	(621,982)	22,978,881
Total assets	862,082,279	(17,870,884)	844,211,395
Retained earnings	75,455,296	(31,111,535)	44,343,761
Statutory reserve	47,766,229	(2,749,648)	44,956,581
Total equity	253,010,548	(33,861,183)	219,149,365
Insurance contract liabilities	390,502,821	320,760	390,823,581
Insurance and other payables	177,232,730	15,669,539	192,902,269
Total liabilities	609,071,731	15,990,299	625,062,030
Total equity and liabilities	862,082,279	(17,870,884)	844,211,395

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

29. Prior year adjustments and comparative information (continued)

	As previously reported at 31 December 2016 AED	Adjusted AED	As restated at 31 December 2016 AED
Reinsurance contract assets	129,806,799	(474,321)	129,332,478
Insurance and other receivables	278,720,835	(6,522,885)	272,197,950
Deferred acquisition cost	17,179,658	(251,645)	16,928,013
Total assets	709,414,650	(7,248,851)	702,165,799
Statutory reserve	44,510,918	(2,339,738)	42,171,180
Retained earnings	59,197,490	(27,422,338)	31,775,152
Total equity	234,849,429	(27,422,338)	205,087,353
Insurance contract liabilities	338,656,153	974,376	339,630,529
Insurance and other payables	131,100,213	21,538,849	152,639,062
Total liabilities	474,565,221	22,513,225	497,078,446
Total equity and liabilities	709,414,650	(7,248,851)	702,165,799

Reconciliation of restated and previously reported amounts in the statement of income and cash flows for the year ended 31 December 2017.

	As previously reported at 31 December 2017 AED	Adjusted AED	As restated at 31 December 2017 AED
Insurance premium ceded to reinsurers	(181,312,870)	(7,064,581)	(188,377,451)
Net retained premium	290,424,004	(7,064,581)	283,359,423
Net change in unearned premium	(1,341,600)	2,543,148	1,201,548
Net earned premium	289,082,404	(4,521,433)	284,560,971
Gross underwriting profit	80,398,122	(1,717,756)	78,680,366
Net underwriting profit	36,636,203	1,039,379	37,675,582
Profit for the year	31,953,117	(4,099,107)	27,854,010
Net cash generated from investing activities	82,830,961	(2,438,472)	80,392,489
Net cash used in investing activities	(138,625,198)	2,438,472	(136,186,726)

Basic and diluted earnings per share for the year 2017 reduced from AED 0.29 to AED 0.19.

30. Approval of the financial statements

The financial statements were approved by the Board of Directors and authorized for issue on 14 March 2019.