Union Insurance Company P.J.S.C.

FINANCIAL STATEMENTS

31 DECEMBER 2019

الاتحاد للتأمين
UNIONINSURANCE

Report of the Board of Directors

Dear Shareholders,

The Board of Directors of Union Insurance Company P.J.S.C. has the pleasure to present our Report on the performance of the Company along with the audited Financial Statements for the year ended 31st December 2019.

The Company registered another successful year of Underwriting performance during 2019 despite continued challenges faced by the local insurers and global economy. Notable events/achievements during the year were:

- The Company registered a Gross Premium of AED 927 million as against the 2018 Premium of AED 952 million, a decrease of 3 % mainly due to the non-renewal of certain policies based on our risk management and pricing strategy.
- The Company posted both Underwriting Profit and Net Profit for the year.
- The Company continues to carry technical provisions as recommended by the Actuary in compliance with the Insurance Authority regulations.
- The Company's Financial Strength Rating of B++ (Good) and Issuer Credit Rating of 'bbb' was affirmed by the International Credit Rating Agency A. M. Best. According to AM Best's Press Release in September 2019 – "these ratings reflect Union's Balance Sheet strength, which A.M. Best categorises as strong, as well as its adequate operating performance, limited business profile and appropriate enterprise risk management".
- The company is in compliance with the Financial and Solvency regulations with a positive solvency ratio of 111%. This reflects an improvement in solvency ratio as compared to 104% solvency ratio in 2018.

2019 Financial results

- The Underwriting Profit for 2019 amounted to AED 21.1 million (2018 – 41.9 million).
- The investments yielded gain of AED 14.5 million compared to loss of AED (20.5) million during 2018.
- The Net Profit for the year 2019 amounted to AED 21.5 million as against the Net Profit of AED 6.2 million during 2018.

- Total Equity of the Company increased from AED 300.3 million in 2018 to AED 325.8 million at the end of the 2019 .

- Total Assets of the Company increased by AED 174 million to AED 1.8 billion at the end of the 2019 .

Recommendations of the Board of Directors:

The Board has the pleasure in making the following recommendations to the shareholders:

1) Consider, discuss and approve the Board of Director's report.
2) Consider, discuss and approve the Auditors report.
3) Consider, discuss and approve the Audited Financial Statements for the year ended 31 December 2019.
4) Absolve the Chairman and Members of the Board from all responsibilities for acts and decisions made by them in fulfilling their functions during the year ended 31 December 2019.
5) Appoint or re-appoint Auditors for the financial year 2020 and determine their fees. Ernst & Young being eligible for re-appointment have expressed their interest to continue in office.
6) Consider and approve a proposal concerning the remuneration of the members of the Board of Directors and determine the amount thereof.

The Board of Directors take this opportunity to thank all the shareholders and customers for their continued support. The Directors also express their sincere appreciation to the management and staff for their dedication and hard work.

On behalf of the Board of Directors

Ahmad Majid Lootah
Vice Chairman

Union Insurance Co. P.S.C.
11

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C.

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Union Insurance Company (P.J.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2019, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in the 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How the Matter Was Addressed in the Audit
Valuation of insurance contract liabilities and reinsurance assets *(refer to note 13 of the financial statements)*	
We focused on these balances because of the complexity involved in the estimation process, and the significant judgements that management and the directors make in determining the appropriateness and adequacy of the liability. The liabilities which includes claims reported and not settled, incurred but not reported and mathematical reserve are based on a best-estimate of the ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs. A range of methods may be used 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. Reinsurance assets are recognised when the related gross insurance liability is recognised according to the terms of the relevant reinsurance contracts and their recoverability is subject to the probability of default and probable losses in the event of default by respective reinsurance counterparties. Note 13 to the financial statements describes the elements that make up the insurance contract liabilities and reinsurance assets balance.	The work that we preformed to address this key audit matter included the following procedures: • The evaluation and testing of key controls around the claims handling and reserve setting processes of the Company along with the recognition and release of reinsurance assets. We examined evidence of the operation of controls over the valuation of individual claims reserves, such as large loss review controls and internal peer reviews (whereby reviewers examine documentation supporting claims reserves and consider if the amount recorded in the financial statements is valued appropriately). • We checked samples of claims reserves and the respective share of reinsurance assets, through comparing the estimated amount of the reserve to appropriate documentation, such as reports from loss adjusters and where relevant inspection of the Company's correspondence with lawyers and reinsurers where the claim are under investigation. • We reviewed management's reconciliation of the underlying company data recorded in the policy administration systems with the data used in the actuarial reserving calculations. • We tied the insurance contract liabilities and reinsurance assets as recommended by the Company's actuary to the liabilities and assets in the financial statements. • We involved our actuarial specialist team members, to apply industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key Audit Matter	How the Matter Was Addressed in the Audit
***Valuation of insurance contract liabilities and reinsurance assets** (refer to note 13 of the financial statements) (continued)*	
	• We obtained the reinsurance treaty summary for the year and verified the details in the summary to the respective agreements. • We reviewed the ratios of reinsurance assets to related insurance contact liabilities to identify any variance from reinsurance treaty arrangements.
Revenue recognition *(refer to note 3a of the financial statements)*	
Gross insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period, and are recognised on the date on which the policy commences. At the end of each year, a proportion of the written premiums of the general insurance, medical and group life business is provided for to cover portions of risk which have not expired at the reporting date. The reserves are required to be calculated in accordance with the requirements of the Insurance Law relating to insurance companies.	The work that we performed to address this key audit matter included the following procedures. • We assessed whether the Company's revenue recognition policies complied with IFRS and tested the implementation of those policies. Specifically, we considered whether the premiums on insurance policies are accounted for on the date of inception of policies, by testing a sample of revenue items to insurance contracts, with a specific focus on transactions which occurred near 31 December 2019. • We evaluated the relevant IT systems and tested the operating effectiveness of the internal controls over the recording of revenue in the correct period. • We compared the unearned premiums reserve balance as per the financial statements to the reserve balance computed by the Company's actuary. • We recalculated the unearned premium reserve based on the earning period of insurance contracts existing as of 31 December 2019. • We also tested a risk based sample of journal entries posted to revenue accounts to identify any unusual or irregular items, and we tested the reconciliations between the policy master file and its financial ledgers.

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Key audit matter	**How the Matter Was Addressed in the Audit**
Impairment losses on insurance receivables including third party recoveries *(refer to note 11 and note 25 of the financial statements)*	
The Company has amounts of insurance receivables that are overdue and not impaired (as disclosed in note 25 to the financial statements). The key associated risk is the recoverability of receivables.	The work that we performed to address this key audit matter included the following procedures. • Obtained an understanding of the Company's process for estimated ECL and assessed the appropriateness of ECL methodology and the new accounting policy against the requirements of IFRS 9. • Assessed the reasonableness of management's key assumptions and judgments made in determining the ECL allowances included in the selection of ECL models, segmenting of receivables and macroeconomic factors. • We tested key inputs of the model, such as those used to calculate the likelihood of default and the subsequent loss on default, by comparing to historical data. We also assessed the reasonableness of forward looking factors used by the Company by corroborating with publicly available information. • We compared historical provision for bad debts to the actual amounts written off, to determine whether the management's estimation techniques were reasonable.
Valuation of investment properties *(refer to note 7 of the financial statements)*	
The valuation of investment properties are determined through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates. Investment properties are held at fair value in the Company's statement of financial position and qualify under Level 3 of the fair value hierarchy as at 31 December 2019.	The work that we performed to address this key audit matter included the following procedures. • We obtained the external valuation reports for all properties. • We read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work. • We carried out procedures to test whether property specific standing data supplied to the external valuers by management is appropriate and reliable. • We reviewed title deeds of the properties to ensure existence of the properties.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	**How the Matter Was Addressed in the Audit**
Classification of freehold land *(refer to note 6 of the financial statements)*	
Included in property and equipment is the amount of AED 82,045 thousand (2018: AED 82,045 thousand) which represent payments made for acquiring investment in the Meydan Real Estate Project based in U.A.E. The Board of Directors of the Company has passed resolutions to construct the Company's head-office on the land in the foreseeable future. The amount paid for the purchase of land is carried at cost, but is subject to consideration for impairment when indicators of impairment exist. As a consequence, for impairment consideration on this asset, the Company is the lowest level of cash generating unit and hence the asset is not assessed for impairment as a standalone asset.	The work that we performed to address this key audit matter included the following procedures: • We discussed with management the status of the proposed construction and noted that no date has been set for construction to commence. • We obtained the resolution for Board approval for the property to be used as the Company's head-office. • We reviewed the Company's business performance and forecasts for existence of indicators of impairment at the Company level. • We reviewed title deed of the property to ensure existence of the property.

Other information
Management is responsible for the other information. Other information consists of the information included in the Company's 2019 Annual Report, other than the financial statements and our auditors' report thereon. We obtained the report of Company's Board of Directors, prior to the date of our auditors' report, and we expect to obtain the remaining sections of the Company's 2019 Annual Report after the date of our auditors' report.

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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

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

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

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

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

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

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

v) investments in shares and stocks during the year ended 31 December 2019, are disclosed in note 8 to the financial statements

vi) note 21 reflect material related party transactions 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 contravened during the financial year ended 31 December 2019 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association which would have a material impact on its activities or its financial position; and

viii) note 20 to the financial statements reflects the social contributions made during the year.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF UNION INSURANCE COMPANY P.J.S.C. (continued)

Report on other legal and regulatory requirements (continued)

Further, as required by the UAE Federal Law No. (6) of 2007, as amended, we report that we have obtained all the information and explanation we considered necessary for the purpose of our audit. For further disclosure on solvency ratios, refer to notes 8 and 27.

For Ernst & Young

Ashraf Abu-Sharkh
Partner
Registration No. 690

11 March 2020

Dubai, United Arab Emirates

STATEMENT OF INCOME
For the year ended 31 December 2019

	Notes	*2019* *AED '000*	*2018* *AED '000*
UNDERWRITING INCOME			
Gross written premium	3a	**927,343**	951,907
Reinsurance ceded	3a	**(473,816)**	(512,918)
		453,527	438,989
Net change in unearned premium and policyholders' reserve	3a	**(82,536)**	27,671
Net earned premium		**370,991**	466,660
Commission earned		**83,848**	65,146
Total underwriting income		**454,839**	531,806
UNDERWRITING EXPENSES			
Gross claims incurred	3b	**(419,144)**	(493,549)
Insurance claims recovered from reinsurers	3b	**238,850**	258,866
Net claims incurred		**(180,294)**	(234,683)
Commission incurred		**(123,691)**	(96,273)
Administrative expenses	20	**(81,632)**	(73,972)
Other operational costs related to underwriting activities		**(67,861)**	(59,781)
Net movement in reserve of unit linked products	23	**19,777**	(25,155)
Total underwriting expenses		**(433,701)**	(489,864)
UNDERWRITING PROFIT		**21,138**	41,942
Net investment income/ (loss)	4	**14,529**	(20,584)
General and administrative expenses	20	**(14,199)**	(15,161)
PROFIT FOR THE PERIOD		**21,468**	6,197
Basic and diluted earnings per share (AED)	26	**0.065**	0.019

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

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Note	*2019* *AED '000*	*2018* *AED '000*
Profit for the year		**21,468**	6,197
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Net change in fair value of investments at fair value through other comprehensive income	8.2	**4,121**	(6,236)
Total other comprehensive income / (loss) for the year		**4,121**	(6,236)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**25,589**	(39)

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	*2019* *AED '000*	*2018* *AED '000*
ASSETS			
Property and equipment	6	**101,584**	105,957
Intangible assets	6.2	**8,229**	6,433
Investment properties	7	**75,195**	75,195
Investment securities	8	**184,961**	200,595
Investments held on behalf of policyholders' unit linked products	8.3	**261,026**	150,035
Right-of-use assets	9	**7,680**	-
Statutory deposit	10	**10,000**	10,000
Reinsurance contract assets	13	**518,265**	473,547
Insurance and other receivables	11	**496,379**	499,256
Cash and bank balances	12a	**152,844**	121,373
TOTAL ASSETS		**1,816,163**	1,642,391
LIABILITIES			
Bank overdraft	12b	**3,382**	6,312
Insurance contract liabilities	13	**769,771**	756,754
Insurance and other payables	14	**447,525**	421,464
Provision for employees' end of service benefits	15	**8,618**	7,574
Payable to policyholders' of unit-linked products	23	**261,026**	150,035
Total liabilities		**1,490,322**	1,342,139
EQUITY			
Share capital	16	**330,939**	330,939
Statutory reserve	17	**14,865**	12,718
Special reserve	17	**14,865**	12,718
Fair value reserve	18	**(10,268)**	(14,617)
Accumulated losses		**(24,560)**	(41,506)
Total equity		**325,841**	300,252
TOTAL LIABILITIES AND EQUITY		**1,816,163**	1,642,391

Ahmad Majid Ahmad Nasser Lootah
Vice Chairman

Abdul Mutaleb M H M Aljaede
Managing Director and Chief Executive Officer

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

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

	Attributable to equity shareholders of the Company					
	Share capital AED '000	*Statutory reserve AED '000*	*Special reserve AED '000*	*Fair value reserve AED '000*	*(Accumulated losses) AED '000*	*Total AED '000*
As at 1 January 2019	330,939	12,718	12,718	(14,617)	(41,506)	300,252
Profit for the year	-	-	-	-	21,468	21,468
Loss on sale of fair value investment held through other comprehensive income	-	-	-	228	(228)	-
Other comprehensive gain for the period	-	-	-	4,121	-	4,121
Total other comprehensive income for the year	-	-	-	4,349	21,240	25,589
Transfer to statutory reserve	-	2,147	-	-	(2,147)	-
Transfer to special reserve	-	-	2,147	-	(2,147)	-
As at 31 December 2019	**330,939**	**14,865**	**14,865**	**(10,268)**	**(24,560)**	**325,841**
As at 1 January 2018 (as previously reported)	330,939	12,098	12,098	(8,381)	(37,408)	309,346
Impact of adopting IFRS 9	-	-	-	-	(9,055)	(9,055)
Restated balance at 1 January 2019	330,939	12,098	12,098	(8,381)	(46,463)	300,291
Profit for the year	-	-	-	-	6,197	6,197
Other comprehensive loss	-	-	-	(6,236)	-	(6,236)
Total other comprehensive (loss)/ income for the year	-	-	-	(6,236)	6,197	(39)
Transfer to statutory reserve	-	620	-	-	(620)	-
Transfer to special reserve	-	-	620	-	(620)	-
As at 31 December 2018	330,939	12,718	12,718	(14,617)	(41,506)	300,252

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Notes	*2019* *AED '000*	*2018* *AED '000*
Cash flow from operating activities			
Profit for the year		**21,468**	6,197
Adjustment for:			
Depreciation and amortisation	6,9	**8,564**	3,945
Loss on disposal of investments at FVTPL	4	**33**	374
Provision for employees' end of service benefits	15	**2,602**	3,021
Unrealised loss/(gain) on investments at FVTPL	4	**(5,669)**	20,561
Interest income	4	**(8,733)**	(4,538)
Dividend income	4	**(3,176)**	(3,291)
Gain on sale of property and equipment		**-**	(55)
Interest on margin trading account	4	**1,944**	1,647
(Increase)/decrease in the fair value of investment properties	4	**-**	4,750
		17,033	32,611
Changes in operating assets and liabilities:			
Insurance and other receivables		**2,877**	148,998
Reinsurance contract assets		**(44,717)**	58,475
Insurance contract liabilities		**13,017**	(107,596)
Insurance and other payables		**126,995**	(12,893)
Net cash generated from operations		**115,205**	119,595
Employees' end of service benefits paid	15	**(1,558)**	(633)
Net cash generated from operating activities		**113,647**	118,962
Cash flows from investing activities			
Purchase of property and equipment (net)		**(1,779)**	(5,795)
Addition in right-of-use assets		**(6,843)**	-
Proceeds from sale of property and equipment		**-**	86
Purchase of investments at FVTPL		**(16,786)**	(97,610)
Proceeds from disposal of investments at FVTPL		**38,280**	36,994
Purchase of policyholders' of unit-linked products		**(110,991)**	(16,609)
Proceeds from disposal of investments at FVTOCI		**3,897**	-
Interest received		**8,733**	4,538
Dividend received		**3,176**	3,291
Decrease in fixed deposit with banks with maturity greater than three months		**(6,948)**	(34,518)
Net cash used in investing activities		**(89,261)**	(109,623)
Cash flows from financing activity			
Interest on margin trading account		**(1,945)**	(1,647)
Net cash used in financing activity		**(1,945)**	(1,647)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**22,441**	7,692
Cash and cash equivalents at 1 January		**21,526**	13,834
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	12	**43,967**	21,526

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

1 CORPORATE INFORMATION

Union Insurance Company P.J.S.C. (the "Company") is a public joint stock company registered under the UAE Federal Law No. (2) of 2015 and the U.A.E. Federal Law No. 6 of 2007 relating to commercial companies in the UAE. The Company is registered with the Insurance Companies Register of Insurance Authority of U.A.E., under registration number 67. The Company's registered corporate office is Single Business Tower, Sheikh Zayed Road, P.O. Box 119227, Dubai, United Arab Emirates ("UAE"). The shares of the Company are listed on the Abu Dhabi Securities Exchange.

The principal activity of the Company is the writing of insurance of all types including life assurance. The Company operates through its Head Office in Dubai and Branch Offices in Abu Dhabi, Dubai, Sharjah, Ajman and Ras Al Khaimah.

The financial statements were authorised for issue in accordance with a resolution of the directors on 10 March 2020.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

Accounting convention
The financial statements are prepared under the historical cost convention except for the measurement at fair value of financial assets carried at fair value. The financial statements have been presented in UAE Dirhams and all values are rounded to the nearest thousand (AED'000) except when otherwise indicated.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

IFRS 16 Leases
IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 16 Leases (continued)
The effect of adoption IFRS 16 as at 1 January 2019 (increase/(decrease)) is as follows:

	2019 *AED'000*
Assets	
Right-of-use assets	**5,044**
Insurance and other receivables	**(579)**
Total assets	**4,465**
Liabilities	
Lease liabilities*	**4,465**

*Included under insurance and other payables in the statement of financial position

a) Nature of the effect of adoption of IFRS 16
The Company has lease contracts for various items of property and equipment. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Company.

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

The Company also applied the available practical expedients wherein it:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

IFRS 16 Leases (continued)

a) Nature of the effect of adoption of IFRS 16 (continued)

Leases previously accounted for as operating leases (continued)
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	2019 *AED'000*
Operating lease commitments as at 31 December 2018	**9,786**
Weighted average incremental borrowing rate as at 1 January 2019	**6.7%**
Discounted operating lease commitments at 1 January 2019	**9,058**
Less:	
Commitments relating to short-term lease	**(4,593)**
Lease liabilities as at 1 January 2019	**4,465**

There is no impact on other comprehensive income or the basic and diluted earnings per share.

Amendments to IFRS 9: Prepayment Features with Negative Compensation
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the financial statements of the Company.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). The amendments had no impact on the financial statements of the Company.

Amendments to IAS 28: Long-term interests in associates and joint ventures
The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. These amendments had no impact on the financial statements as the Company.

Annual Improvements 2015-2017 Cycle
IAS 23 Borrowing Costs
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. These amendments had no impact on the financial statements of the Company.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

The nature and the impact of the new standards and amendments applicable to the Company are described below:

IFRS 17 Insurance Contracts
In May 2018, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers.

In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:
- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Company is currently evaluating the expected impact.

Amendments to IFRS 3: Definition of a Business
In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of first application, the Company will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8: Definition of Material
In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Company's financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

Life assurance contracts
In respect of short term life assurance contracts, premium are recognised as revenue (earned premiums) proportionately over the period of coverage. The portion of the premium received in respect of in-force contracts that relates to unexpired risks at the end of the reporting period is reported as the unearned premium liability. Premiums are shown before deduction of the commission.

In respect of long term assurance contracts, premiums are recognised as revenue (earned premiums) when they become payable by the contract holder. Premiums are shown before deduction of commission.

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

A liability for contractual benefits that are expected to be incurred in future is recorded when the premiums are recognised.

The liability is based on the assumptions as to mortality, persistency, maintenance expenses and investment income that are established at the time the contract is issued. A margin for adverse deviation is included in the assumptions.

Where a life assurance contract has a single premium or limited number of premium payments due over a significantly shorter period than the period during which the benefits are provided, the excess of the premiums payable over the valuation premiums is deferred and recognised as income in line with the decrease of unexpired insurance risk of the contract in force or for annuities in force, in line with the decrease of the amount of future benefits expected to be paid.

The liabilities are recalculated at the end of each reporting period using the assumptions established at the inception of the contract.

Claims and benefits payable to contract holders are recorded as expenses when they are incurred.

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

General and administration expenses
Direct expenses of general insurance business are charged to respective departmental revenue accounts. Indirect expenses of the general insurance business are allocated to departmental revenue accounts on the basis of gross retained premiums of each department. Other administration expenses are charged to the statement of income.

Policyholders' investment linked contracts at fair value
For unit linked policies, liability is equal to the policy account values. The investment component of these insurance contracts are designated as at fair value through profit and loss.

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

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

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

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

a) The general insurance segment comprises of property, fire, marine, motor, medical, general accident and miscellaneous risks.
b) The life assurance segment offers short term group life insurance. Revenue from this segment is derived primarily from insurance premium, fees and commission income, investment income and fair value gains and losses on investments.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

Investment properties
Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise, including the corresponding tax effect.

Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below USD 5,000). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Trade and settlement date accounting
All "regular way" purchases and sales of financial assets are recognised on the "trade date", i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Financial assets
At initial recognition, all financial assets are measured at fair value.

Equity investments
For subsequent measurements, all financial assets that are equity investments are measured at fair value either through Other Comprehensive Income (OCI) or through profit or loss. This is an irrevocable choice that the Company has made on early adoption of IFRS 9 or will make on subsequent acquisition of equity investments unless the equity investments are held for trading, in which case, they must be measured at fair value through profit or loss. Gain or loss on disposal of equity investments at fair value through Other Comprehensive Income (OCI) are not recycled. Dividend income for all equity investments at fair value through Other Comprehensive Income (OCI) are recorded through profit or loss.

Debt instruments
Debt instruments are also measured at fair value through profit or loss unless they are classified at amortised cost. They are classified at amortised cost only if:

i. the asset is held within a business model whose objective is to hold the asset to collect the contractual cash flows; and
ii. the contractual terms of the debt instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

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

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

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

Impairment and uncollectibility of financial assets
The Company applies a three-stage approach to measuring expected credit losses (ECL) on financial assets carried at amortised cost and debt instruments classified as FVOCI. Assets migrate through the three stages based on the change in credit quality since initial recognition.

a) Overview
The adoption of IFRS 9 has fundamentally changed the Company's impairment method by replacing IAS 39's incurred loss approach with a forward-looking ECL approach. From 1 January 2019, the Company has been recording the allowance for expected credit losses for debt financial assets not held at FVTPL. Equity instruments are not subject to impairment under IFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

a) Overview (continued)
The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Based on the above process, the Company categorizes its FVOCI assets into stages as described below:

Stage 1: When financial instruments are first recognised, the Company recognises an allowance based on 12 month ECLs. Stage 1 also include financial instruments where the credit risk has improved and the has been reclassified from Stage 2.

Stage 2: When a financial instrument has shown a significant increase in credit risk since origination, the Company records an allowance for the life time ECLs. Stage 2 also include instruments, where the credit risk has improved and the loan has been reclassified from Stage 3.

Stage 3: Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised and treated, along with the interests calculated. When transitioning financial assets from stage 2 to stage 3, the percentage of provision made for such assets should not be less than the percentage of provision made before transition. Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition and are recorded at fair value at original recognition and interest income is subsequently recognised based on a credit-adjusted EIR. ECLs are only recognised or released to the extent that there is a subsequent change in the expected credit losses.

For financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

b) The calculation of ECLs
The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon.
- The Exposure at Default ("EAD ") is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that are expected to receive, including from the realisation of any collateral.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment and uncollectibility of financial assets (continued)

b) The calculation of ECLs (continued)
The mechanics of the ECL method are summarised below:

Stage 1: The 12 month ECL is calculated as the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.

Stage 2: When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR.

Stage 3: For financial asset considered credit-impaired, the Company recognises the lifetime expected credit losses for these financial assets. The method is similar to that for Stage 2 assets, with the PD set at 100%.

Debt instruments measured at fair value through OCI
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

c) Forward looking information
The Company, for forward looking information, relies on a broad range of forward looking information as economic nputs, such as:

- GDP growth
- Unemployment rates
- Central Bank base rates

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

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

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

These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses are recognised in the statement of profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Company may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. The impairment loss is recorded in the consolidated statement of income. Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

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

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party. Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the consolidated statement of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured.

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

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less in the consolidated statement of financial position.

Insurance contract liabilities
(i) Unearned premium reserve
At the end of each year a proportion of net retained premiums of the general insurance, medical and group life business is provided to cover portions of risks which have not expired at the reporting date. The reserves are calculated in accordance with the requirements of the Insurance Law relating to insurance companies at 1/365 of annual premiums earned net of reinsurance for all classes of insurance, except marine which is calculated at 25% and policies with insurance period of 2 years at 1/48 method. Unearned premium reserves for medical and group life business are calculated on a time proportion basis.

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

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims
c) claim handling provision

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract liabilities (continued)

(iii) Unexpired risk reserve
A provision is made for the claims expected to be incurred after the reporting date in respect of current insurance contracts that will, together with any deferred expenses, exceed the premium to be earned on those contracts after the reporting date.

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

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

Employees' end of service benefits
The Company provides end of service benefits to its employees which are unfunded.

Employees' end of service benefits represent a form of post-employment benefits that are classified as defined benefit plans. The entitlement to these benefits is usually based upon the employees' length of service and final remuneration subject to the completion of a minimum service period. The benefits vest as a lump sum paid to the employees upon the employee leaving the Company, whether at retirement age or earlier.

The cost of providing benefits under defined benefit plans is determined using the projected unit credit method. Actuarial assumptions such as rates of employee turnover and projection of future salary levels are used to calculate the obligation. The Company recognises actuarial gains and losses in the period in which they occur in total in other comprehensive income. Such actuarial gains and losses are not reclassified to profit or loss in subsequent periods.

The defined benefit liability comprises the present value of the defined benefit obligation. The service cost and the interest cost are recognised in the statement of profit or loss.

As at 31 December 2019 there are no requirements under the relevant laws and regulations to partially or fully fund the benefits in UAE. The Company's exposure to the risk that the labour laws might change with retrospective effect negatively impacting the level of benefits to be accounted for is considered insignificant.

Employees' end of service benefits (UAE Nationals)
The Company is a member of the pension scheme operated by the Federal Pension General and Social Security Authority. Contributions for eligible UAE National employees are made and charged to the statement of profit or loss, in accordance with the provisions of Federal Law No. 7 of 1999 relating to pension and Social Security Law.

An accrual has been made for the past contributions relating to the services rendered by the eligible UAE National employees up to 31 December 2019. The Company has no further payment obligations once the contributions have been paid.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

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

Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

Judgments

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

Classification of properties

Management decides whether a property under construction will be used upon completion as owner-occupied property or for renting out to third parties. If used as owner-occupied property, the value in use of the property is determined as part of the cash generating unit to which it belongs. Otherwise, the asset is classified as investment property and its fair value is determined on an individual asset basis.

Classification of investments

Management decides on acquisition of an investment whether it should be classified as of fair value through profit or loss, at fair value through OCI or at amortised cost.

Lease term of contracts with renewal options

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Judgments (continued)

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

The reserves represent the management's best estimates on the basis of:

a) claims reported during the year
b) delay in reporting these claims
c) claim handling provision

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

Valuation of unquoted equity investments
Valuation of unquoted equity investments is normally based on one of the following:

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

Provision for outstanding claims, whether reported or not
Considerable judgement by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claim settlement trends.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred, and claims incurred but not reported, on a quarterly basis.

Impairment losses on insurance receivables
The Company reviews its insurance receivables on a regular basis to assess whether a provision for impairment should be recorded in the consolidated statement of income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about the probability of default and probable losses in the event of default, the value of the underlying security, and realisation costs.

In addition to specific provisions against individually significant insurance receivables, the Company also makes a collective impairment provision against insurance receivables which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. The amount of the provision is based on the historical loss pattern for insurance receivables within each grade and is adjusted to reflect current economic changes.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimation uncertainty (continued)

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

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

Provision for legal cases
Considerable judgement by management is required in the estimation for legal cases arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

The areas of the Company's business containing key sources of estimation uncertainty include the measurement of insurance contract provisions and determination of valuation of investment properties and development work- in-progress.

Measurement of insurance contract provisions
The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 2. The key assumptions made in respect of insurance contract liabilities are included in note 13.

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

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

Provision for outstanding claims, whether reported or not
Considerable judgment by management is required in the estimation of amounts due to the contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities.

In particular, estimates have to be made both for the expected ultimate cost of claims reported at the date of statement of financial position and for the expected ultimate cost of IBNR claims at the date of statement of financial position. Estimates are made for the expected ultimate cost of IBNR claims using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation and are presented in Note 13.

Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters normally estimate property claims. Management reviews its provisions for claims incurred and IBNR claims regularly.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of insurance receivables
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 policy holders and the insurance and reinsurance companies, historical recovery rates including detailed investigations carried out during 2019 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 statement of profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the statement of profit or loss at the time of collection.

Provision for the doubtful debts on insurance receivables at 31 December 2019 was AED 27.7 million (2018: AED 23 million).

Impairment losses on deferred acquisition costs
The Company reviews its deferred acquisitions costs on a regular basis to assess whether a provision for impairment should be recorded in statement of comprehensive income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required.

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

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

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

The Company has taken the average of valuations for the fair value measurement of its investment properties and development work-in-progress.

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

3a INSURANCE PREMIUM REVENUE

Year 2019	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Gross premium	**628,644**	**(376,253)**	**252,391**	**298,699**	**(97,563)**	**201,136**	**927,343**	**(473,816)**	**453,527**
Movement in provision for unearned premium	**43,333**	**(10,524)**	**32,809**	**(184,265)**	**68,920**	**(115,345)**	**(140,932)**	**58,396**	**(82,536)**
Insurance premium revenue	**671,977**	**(386,777)**	**285,200**	**114,434**	**(28,643)**	**85,791**	**786,411**	**(415,420)**	**370,991**
Unearned premium as of 31 December (Note 13)	**273,859**	**(159,646)**	**114,213**	**104,782**	**(87,959)**	**16,823**	**378,641**	**(247,605)**	**131,036**
Unit Linked Liabilities as of 31 December (Note 23)	**-**	**-**	**-**	**261,026**	**-**	**261,026**	**261,026**	**-**	**261,026**

Year 2018	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Gross premium	657,524	(359,522)	298,002	294,383	(153,396)	140,987	951,907	(512,918)	438,989
Movement in provision for unearned premium	57,750	(13,170)	44,580	(22,944)	6,035	(16,909)	34,806	(7,135)	27,671
Insurance premium revenue	715,274	(372,692)	342,582	271,439	(147,361)	124,078	986,713	(520,053)	466,660
Unearned premium as of 31 December (Note 13)	317,192	(170,170)	147,022	31,508	(19,039)	12,469	348,700	(189,209)	159,491
Unit Linked Liabilities as of 31 December (Note 23)	-	-	-	150,035	-	150,035	150,035	-	150,035

Insurance contracts premium includes AED 39,603 thousand (2018: AED 40,849 thousand) of reinsurance premium accepted.

3b CLAIMS INCURRED

Year 2019	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Claims paid	**364,809**	**(210,797)**	**154,012**	**47,979**	**(41,731)**	**6,248**	**412,788**	**(252,528)**	**160,260**
Changes in provision for outstanding claim (note 13)	**(34,573)**	**38,629**	**4,056**	**17,556**	**(15,775)**	**1,781**	**(17,017)**	**22,854**	**5,837**
Movement in incurred but not reported claims (note 13)	**(5,355)**	**(6,884)**	**(12,239)**	**3,858**	**(2,292)**	**1,566**	**(1,497)**	**(9,176)**	**(10,673)**
Movement in unallocated loss adjustment expense reserve (note 13)	**1,313**	**-**	**1,313**	**277**	**-**	**277**	**1,590**	**-**	**1,590**
Movement in recoveries (note 13)	**23,280**	**-**	**23,280**	**-**	**-**	**-**	**23,280**	**-**	**23,280**
	349,474	**(179,052)**	**170,422**	**69,670**	**(59,798)**	**9,872**	**419,144**	**(238,850)**	**180,294**

Year 2018	*General Insurance*			*Life Assurance*			*Total*		
	Gross AED'000	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*	*Gross AED'000*	*Reinsurers' share AED'000*	*Net AED'000*
Claims paid	471,832	(276,461)	195,371	38,918	(33,745)	5,173	510,750	(310,206)	200,544
Changes in provision for outstanding claim (note 13)	(60,465)	40,710	(19,755)	2,763	(2,508)	255	(57,702)	38,202	(19,500)
Movement in incurred but not reported claims (note 13)	7,802	7,896	15,698	(5,895)	5,242	(653)	1,907	13,138	15,045
Movement in unallocated loss adjustment expense reserve (note 13)	(403)	-	(403)	17	-	17	(386)	-	(386)
Movement in recoveries (note 13)	38,980	-	38,980	-	-	-	38,980	-	38,980
	457,746	(227,855)	229,891	35,803	(31,011)	4,792	493,549	(258,866)	234,683

For details of the movement in the reserves, refer note 13

4 NET INVESTMENT LOSS

	2019 *AED'000*	*2018* *AED'000*
Income from investment securities		
Dividend income	**3,176**	3,291
Realised loss on investments at FVTPL	**(33)**	(374)
Unrealised gain/ (loss) on investments at FVTPL	**5,669**	(20,561)
Interest on margin trading account	**(1,944)**	(1,647)
Investment management expenses	**(1,072)**	(1,080)
Income from investment properties /development WIP		
Increase/(decrease) in the fair value of investment properties (Note 7)	**-**	(4,750)
Other income		
Interest on fixed deposits and bonds	**8,733**	4,538
Miscellaneous income	**-**	(1)
At 31 December	**14,529**	(20,584)

5 FAIR VALUE OF FINANCIAL INSTRUMENT

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Company determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Company measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk—free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

5 FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

a) Fair value hierarchy of assets/liabilities measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position.

At 31 December 2019	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
FVTPL — financial assets (Note 8.1)	**156,130**	-	**2,954**	**159,084**
FVTOCI — financial assets (Note 8.2)	**25,577**	-	**300**	**25,877**
	181,707	-	**3,254**	**184,961**
Non financial assets				
Investment properties (Note 7)	-	-	**75,195**	**75,195**
	181,707	-	**78,449**	**260,156**

At 31 December 2018	*Level 1 AED'000*	*Level 2 AED'000*	*Level 3 AED'000*	*Total AED'000*
Financial assets				
FVTPL — financial assets (Note 8.1)	167,870	-	6,894	174,764
FVTOCI — financial assets (Note 8.2)	25,531	-	300	25,831
	193,401	-	7,194	200,595
Non financial assets				
Investment properties (Note 7)	-	-	75,195	75,195
	193,401	-	82,389	275,790

During the year there were no fair value hierarchy transfers between all levels above. Further, there has been no change in the valuation techniques in relation to the valuation of financial instruments.

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial assets and liabilities not measured at fair value.

As at 31 December 2019

	Total fair value AED'000	*Total carrying amount AED'000*
Financial assets		
Cash and bank balances (Note 12)	**152,844**	**152,844**
Statutory deposit (Note 10)	**10,000**	**10,000**
Insurance and other receivables (Note 11)	**467,246**	**467,246**
	630,090	**630,090**
Financial liabilities		
Insurance and other payables (Note 14)	**447,525**	**447,525**
Payable to policyholders' of unit-linked products (Note 23)	**261,026**	**261,026**
	708,551	**708,551**

5 FAIR VALUE OF FINANCIAL INSTRUMENT (continued)

b) Financial instruments not measured at fair value (continued)

As at 31 December 2018

	Total fair value AED'000	*Total carrying amount AED'000*
Financial assets		
Cash and bank balances (Note 12)	121,373	121,373
Statutory deposit (Note 10)	10,000	10,000
Insurance and other receivables (Note 11)	466,650	466,650
	598,023	598,023
Financial liabilities		
Insurance and other payables (Note 14)	421,464	421,464
Payable to policyholders' of unit-linked products (Note 23)	150,035	150,035
	571,499	571,499

In respect of those financial assets and financial liabilities measured at amortised cost, which are of short-term nature (up to 1 year), management believes that their carrying amount is equivalent to their fair value.

6 PROPERTY AND EQUIPMENT

	2019 AED'000	*2018 AED'000*
Operating assets	**91,200**	92,073
Capital work in progress	**10,384**	13,884
At 31 December	**101,584**	105,957

6.1 Capital work in progress includes amount of AED 10.1 million (2018: AED 13.7 million) towards costs incurred on development of in house softwares.

6.2 Intangible assets

	Note	***2019 AED'000***	*2018 AED'000*
At 31 December	6.3	**8,229**	6,433

6 PROPERTY AND EQUIPMENT (continued)

6.3 Operating assets

	Free hold land AED'000	*Furniture and fixtures AED'000*	*Office equipment AED'000*	*Motor vehicles AED'000*	*Computer equipment AED'000*	*Total tangible operating assets AED'000*	*Intangible assets AED'000*
Cost:							
At 1 January 2018	1,656	14,633	2,489	777	8,440	27,995	6,597
Additions	200	934	124	516	478	2,252	5,623
Transferred from development work in progress*	82,045	-	-	-	-	82,045	-
Disposals	-	-	-	(429)	(3)	(432)	-
At 31 December 2018	83,901	15,567	2,613	864	8,915	111,860	12,220
At 1 January 2019	83,901	15,567	2,613	864	8,915	111,860	12,220
Additions		119	57	8	410	594	4,686
At 31 December 2019	**83,901**	**15,686**	**2,670**	**872**	**9,325**	**112,454**	**16,906**
Depreciation & amortisation							
At 1 January 2018	-	8,042	2,140	529	7,870	18,581	3,449
Additions	-	863	188	160	396	1,607	2,338
On disposals	-	-	-	(400)	(1)	(401)	-
At 31 December 2018	-	8,905	2,328	289	8,265	19,787	5,787
At 1 January 2019	-	8,905	2,328	289	8,265	19,787	5,787
Additions		893	118	175	281	1,467	2,890
At 31 December 2019	-	**9,798**	**2,446**	**464**	**8,546**	**21,254**	**8,677**
Carrying amounts:							
At 31 December 2018	83,901	6,662	285	575	650	92,073	6,433
At 31 December 2019	**83,901**	**5,888**	**224**	**408**	**779**	**91,200**	**8,229**

6 PROPERTY AND EQUIPMENT (continued)

6.3 Operating assets (continued)

* During 2018, development work in progress which represent payments made for acquiring investment in the Meydan Real Estate Project based in U.A.E with a carrying value of AED 82,045 thousand was transferred to operating assets. The project is promoted by Gulf General Investment Company (P.S.C.), a related party acting as custodian of the Company's share of investment in the project.

The Company's Board of Directors has resolved to construct the Company's head office on the land in the foreseeable future.

7 INVESTMENT PROPERTIES (WITHIN UAE)

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**75,195**	79,945
Changes in fair value (note 4)	**-**	(4,750)
At 31 December	**75,195**	75,195

Investment properties consist of Land and residential building under construction. The fair value of the Company's investment properties as at 31 December 2019 has been arrived at on the basis of valuation carried on 31 December 2019 by two independent valuators, with the average of the two being accounted for the purpose of financial reporting. The independent valuators have appropriate qualifications and recent market experience in the valuation properties in the United Arab Emirates.

The Fair value was determined based on the market (sales comparative) valuation approach, residual method, income capitalisation method (2018: same). The fair values of all the investment properties were determined based on unobservable inputs (i.e level 3).

Market (sales comparative) valuation approach considers expectation of market participants, involves collection of data on recent sales transactions and listed prices for similar properties within the vicinity. Residual method involves calculation of the gross development value when completed and deducting cost related to construction and other cost to arrive at land value. Income capitalisation method involves capitalisation of annual rental income at the gross all-risk yield to derive at the investment value.

8 INVESTMENT SECURITIES

	Notes	***2019*** ***AED'000***	*2018* *AED'000*
Financial assets at FVTPL	8.1	**159,084**	174,764
Financial assets at FVTOCI	8.2	**25,877**	25,831
		184,961	200,595

During the year the Company purchased shares worth AED 11.3 million (2018: AED 5 million). Investment securities amounting to AED 73,737 thousand (2018: AED 109,738 thousand) are pledged against bank leverage against investments (Note 14.1).

8 INVESTMENT SECURITIES (continued)

8.1 Investments at fair value through profit or loss

	2019 ***AED'000***	*2018* *AED'000*
Quoted equity securities in U.A.E.	**79,197**	74,480
Quoted equity securities outside U.A.E.	**7,360**	5,428
Quoted bond securities in U.A.E.	**37,330**	32,546
Quoted bond securities outside U.A.E.	**18,564**	49,007
Investment in funds outside U.A.E.	**9,734**	6,409
Unquoted equity securities outside U.A.E.	**2,954**	2,949
Unquoted equity securities in U.A.E.	**3,945**	3,945
	159,084	174,764

Investments classified at FVTPL are designated in this category upon initial recognition.

8.2 Investments at fair value through other comprehensive income

	2019 ***AED'000***	*2018* *AED'000*
Equity securities		
Quoted equity securities in U.A.E.	**7,859**	7,606
Fund securities outside U.A.E.	**17,718**	17,741
Quoted bond securities outside U.A.E.	**-**	184
Unquoted securities in U.A.E.	**300**	300
At 31 December	**25,877**	25,831

The fair value gain amounting to AED 4,121 thousand (2018: loss of AED 6,236 thousand) has been recognised in the statement of comprehensive income.

8.3 Investments held on behalf of policyholders' unit linked products

	2019 ***AED'000***	*2018* *AED'000*
Investments held on behalf of policyholders' unit linked products (Note 23)	**261,026**	150,035

Investment Concentration

The UAE Insurance Authority has set a maximum limit for aggregate exposure in various categories of investments. As at 31 December 2019, the Company has investments more than the limit in some categories particularly equity instruments within and outside UAE, and deposits and other debt instruments.

9 RIGHT OF USE ASSET

Set out below, are the carrying amounts of the Company's right-of-use assets and the movement during the year:

	2019 ***AED'000***
As at 1 January 2019	**5,044**
Additions	**6,843**
Depreciation expense	**(4,207)**
As at 31 December 2019	**7,680**

10 STATUTORY DEPOSIT

The statutory deposit is required to be placed by insurance companies operating in U.A.E. with the designated national banks. Statutory deposits, which depend on the nature of insurance activities, cannot be withdrawn except with the prior approval of the regulatory authorities.

11 INSURANCE AND OTHER RECEIVABLES

	2019 AED'000	*2018 AED'000*
Due from policyholders and brokers	**275,701**	272,238
Due from insurance and reinsurance companies	**102,183**	106,063
Due from related parties (note 21)	**25,996**	25,914
Expected credit losses (Note 11.1)	**(27,758)**	(23,037)
	376,122	381,178
Other receivables	**91,124**	85,472
Deferred acquisition cost	**22,392**	26,586
Prepaid expenses	**6,741**	6,020
At 31 December	**496,379**	499,256

11.1 Expected credit losses

	2019 AED'000	*2018 AED'000*
Balance 1 January	**23,037**	13,213
Impact of adoption of IFRS 9	**-**	9,055
Provision during the year	**4,721**	769
At 31 December	**27,758**	23,037

12a CASH AND BANK BALANCES

	2019 AED'000	*2018 AED'000*
Cash in hand	**52**	83
Bank balances:		
Current accounts	**1,807**	20,072
Fixed deposits	**150,985**	101,218
	152,792	121,290
At 31 December	**152,844**	121,373
Less: Deposits with original maturities greater than three months	**(105,495)**	(93,535)
Bank Overdraft	**(3,382)**	(6,312)
Cash and cash equivalents	**43,967**	21,526
Bank balances:		
In U.A.E.	**122,469**	71,255
Outside U.A.E. & G.C.C. countries	**30,323**	20,507
At 31 December	**152,792**	91,762

12a CASH AND BANK BALANCES (continued)

Fixed deposits amounting to AED 36 million (2018: AED 36 million) are under lien against the credit facility granted to the Company.

Fixed deposits carried interest ranging from 1% to 8.5% per annum (2018: 1% to 8.5% per annum).

12b BANK OVERDRAFT

	2019 AED'000	*2018 AED'000*
Bank overdraft	**3,382**	6,312

The company has obtained bank overdraft facility with a commercial bank in UAE amounting to AED 13 million and it carries interest of 1% per annum above the highest interest rate payable on fixed deposits under lien for the overdraft facility; or as varied by notice in writing from the bank from time to time.

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

Summary of the Actuary's report on the Technical Provisions

	2019 AED'000	*2018 AED'000*
Gross insurance contract liabilities		
Claims reported unsettled	**266,640**	283,657
Claims incurred but not reported*	**120,235**	121,732
Unallocated loss adjustment expense reserve	**4,255**	2,665
Unearned premiums**	**378,641**	348,700
Gross insurance contract liabilities	**769,771**	756,754
Reinsurer's contract assets		
Claims reported unsettled	**(215,520)**	(238,374)
Claims incurred but not reported*	**(55,140)**	(45,964)
Unearned premiums**	**(247,605)**	(189,209)
Total reinsurers' contract assets	**(518,265)**	(473,547)
Net		
Claims reported unsettled	**51,120**	45,283
Claims incurred but not reported*	**65,095**	75,768
Unallocated loss adjustment expense reserve	**4,255**	2,665
Unearned premiums**	**131,036**	159,491
Net liabilities	**251,506**	283,207

*Includes additional unexpired risk reserves.

**Includes mathematical reserve and non-unit reserve.

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

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

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

	31 December 2019			*31 December 2018*		
	Gross AED'000	***Reinsurance AED'000***	***Net AED'000***	*Gross AED'000*	*Reinsurance AED'000*	*Net AED'000*
Claims						
Outstanding claims at end of year						
Notified claims	**266,640**	**(215,520)**	**51,120**	283,657	(238,374)	45,283
Incurred but not reported	**120,235**	**(55,140)**	**65,095**	121,732	(45,964)	75,768
Unallocated loss adjustment expense reserve	**4,255**	**-**	**4,255**	2,665	-	2,665
	391,130	**(270,660)**	**120,470**	408,054	(284,338)	123,716
Outstanding claims at beginning of year						
Notified claims	**(283,657)**	**238,374**	**(45,283)**	(341,359)	276,576	(64,783)
Incurred but not reported	**(121,732)**	**45,964**	**(75,768)**	(119,825)	59,102	(60,723)
Unallocated loss adjustment expense reserve	**(2,665)**	**-**	**(2,665)**	(3,051)	-	(3,051)
	(408,054)	**284,338**	**(123,716)**	(464,235)	335,678	(128,557)
Claims settled during the year	**412,788**	**(252,528)**	**160,260**	510,750	(310,206)	200,544
Movement during the year						
Notified claims	**(17,017)**	**22,854**	**5,837**	(57,702)	38,202	(19,500)
Incurred but not reported	**(1,497)**	**(9,176)**	**(10,673)**	1,907	13,138	15,045
Unallocated loss adjustment expense reserve	**1,590**	**-**	**1,590**	(386)	-	(386)
Movement in recoveries	**23,280**	**-**	**23,280**	38,980	-	38,980
Claims incurred	**419,144**	**(238,850)**	**180,294**	493,549	(258,866)	234,683

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

Unearned premium

	31 December 2019			*31 December 2018*		
	Gross AED'000	***Reinsurance AED'000***	***Net AED'000***	*Gross AED'000*	*Reinsurance AED'000*	*Net AED'000*
At the end of the year						
Unearned premium	**378,641**	**(247,605)**	**131,036**	348,700	(189,209)	159,491
Unit Linked Liabilities	**261,026**	**-**	**261,026**	150,035	-	150,035
At the beginning of the year						
Unearned premium	**348,700**	**(189,209)**	**159,491**	400,115	(196,344)	203,771
Unit Linked Liabilities	**150,035**	**-**	**150,035**	133,426	-	133,426
Movement during the year						
Unearned premium	**29,941**	**(58,396)**	**(28,455)**	(51,415)	7,135	(44,280)
Unit Linked Liabilities	**110,991**	**-**	**110,991**	16,609	-	16,609
Net movement during the year	**140,932**	**(58,396)**	**82,536**	(34,806)	7,135	(27,671)

Assumptions and sensitivities

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

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

13 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

Assumptions and sensitivities (continued)

Process used to determine the assumptions (continued)
Case estimates are reviewed regularly and are updated as and when new information arises.

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

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

The method used by the Company for provision of IBNR takes into account historical data, past estimates and details of the reinsurance programme, to assess the expected size of reinsurance recoveries.

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

An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Company's estimation process. The Company believes that the liability for claims reported in the statement of financial position is adequate.

However, it recognises that the process of estimation is based upon certain variables and assumptions which could differ when claims are finally settled.

Claim development table

Gross outstanding claims

Accident year	*2014 AED'000*	*2015 AED'000*	*2016 AED'000*	*2017 AED'000*	*2018 AED'000*	*2019 AED'000*	*Total AED'000*
- At the end of underwriting year	129,731	158,473	382,650	412,622	384,613	370,268	1,838,357
- One year later	148,518	372,348	445,779	512,686	445,004	-	1,924,335
- Two years later	180,575	381,838	444,739	532,019	-	-	1,539,171
- Three years later	184,609	386,164	445,539	-	-	-	1,016,312
- Four years later	185,351	345,326	-	-	-	-	530,677
- Five years later	184,987	-	-	-	-	-	184,987
Current estimate of cumulative claims	184,987	345,326	445,539	532,019	445,004	370,268	2,323,143
Cumulative payments to date	183,980	325,085	437,195	476,268	407,084	253,027	2,082,639
Total gross outstanding claims	1,007	20,241	8,344	55,751	37,920	117,241	240,504
Gross outstanding in respect of prior years							1,465
Motor recovery outstanding							19,808
Long Term outstanding claims							4,863
Total gross outstanding claims							**266,640**

14 INSURANCE AND OTHER PAYABLES

	2019 *AED'000*	*2018* *AED'000*
Trade payables	**139,819**	108,058
Due to insurance and reinsurance companies	**145,784**	125,349
Premium reserve held	**49,474**	54,823
At 31 December	**335,077**	288,230
Other payables:		
Unclaimed dividends	**2,045**	2,058
Accrued expenses and others	**79,039**	66,820
Leverage against investments (note 14.1)	**31,364**	64,356
	447,525	421,464

Note 14.1

	2019 *AED'000*	*2018* *AED'000*
Leverage against Investments 1	**18,581**	50,851
Leverage against Investments 2	**12,783**	13,505
At 31 December	**31,364**	64,356

Leverage against Investments 1

In 2016, the Company entered into credit facility agreements with an international bank. The leverage facilities are secured against investments at FVTPL and FVTOCI to AED 43,013 thousand (31 December 2018: AED 67,359 thousand) used for the Company's investment operations and carries interest at 1 month USD LIBOR plus 0.55% per annum. The tenure of the facilities are directly linked to the maturity period of the debt instruments which are financed by the facility. The debt instruments have maturity periods of 1 to 5 years.

Leverage against Investments 2

In 2019, the Company entered into credit facility agreements with another international bank. The leverage facilities are secured against investments at FVTPL and FVTOCI amounting to AED 48,438 thousand (31 December 2018: AED 42,379 thousand) used for the Company's investment operations and carries interest at 1 month USD LIBOR plus 0.5% per annum. The tenure of the facilities are directly linked to the maturity period of the debt instruments which are financed by the facility. The debt instruments have maturity periods of 1 to 5 years.

15 PROVISION FOR EMPLOYEES' END OF SERVICE BENEFITS

	2019 *AED'000*	*2018* *AED'000*
At 1 January	**7,574**	5,186
Charge for the year	**2,602**	3,021
Paid during the year	**(1,558)**	(633)
At 31 December	**8,618**	7,574

16 SHARE CAPITAL

The Company's issued and fully paid share capital comprises 330,939,180 shares of AED 1.0 each.

	2019		*2018*	
	No. of Shares	***AED'000***	*No. of Shares*	*AED'000*
At 31 December	**330,939,180**	**330,939**	330,939,180	330,939

17 STATUTORY AND SPECIAL RESERVE

In accordance with the UAE Commercial Companies Law no. (2) of 2015 ("the Law") and the Company's Articles of Association, 10% of the profit for the year should be transferred to legal reserve. The Company may resolve to discontinue such transfers when the reserve totals 50% of the paid up share capital. The reserve is not available for distribution except in the circumstances stipulated by the Law. Also, in accordance with its Articles of Association, 10% of annual net profits, if any, may be transferred to a special reserve until it is suspended by an Ordinary General Meeting upon a proposal by the Board of Directors. The special reserve can be utilised for the purposes determined by the Ordinary General Meeting upon recommendations of the Board of Directors.

18 FAIR VALUE RESERVE

The fair value reserve comprises the cumulative net change in fair value of financial assets designated as fair value through other comprehensive income.

19 ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The table below shows a reconciliation between line items in the statement of financial position and categories of financial instruments.

At 31 December 2019	***FVTPL AED'000***	***FVTOCI AED'000***	***Amortised cost AED'000***	***Total carrying amount AED'000***
Financial assets				
Insurance and other receivables	-	-	**467,246**	**467,246**
Investment securities	**159,084**	**25,877**	-	**184,961**
Investment held on behalf of policyholders' unit linked products	**261,026**	-	-	**261,026**
Statutory deposit	-	-	**10,000**	**10,000**
Cash and bank balances	-	-	**152,844**	**152,844**
Total financial assets	**420,110**	**25,877**	**630,090**	**1,076,077**
Financial liabilities				
Insurance and other payables	-	-	**447,525**	**447,525**
Payable to policyholders'of unit-linked products	**261,026**	-	-	**261,026**
Total financial liabilities	**261,026**	-	**447,525**	**708,551**

19 ACCOUNTING CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

At 31 December 2018	*FVTPL AED'000*	*FVTOCI AED'000*	*Amortised cost AED'000*	*Total carrying amount AED'000*
Financial assets				
Insurance and other receivables	-	-	466,650	466,650
Investment securities	174,764	25,831	-	200,595
Investment held on behalf of policyholders'				
Unit linked products	150,035	-	-	150,035
Statutory deposit	-	-	10,000	10,000
Cash and bank balances	-	-	121,373	121,373
Total financial assets	324,799	25,831	598,023	948,653
Financial liabilities				
Insurance and other payables	-	-	421,464	421,464
Payable to policyholders'of unit-linked products	150,035	-	-	150,035
Total financial liabilities	150,035	-	421,464	571,499

20 GENERAL AND ADMINISTRATIVE EXPENSES

	2019 AED'000	*2018 AED'000*
Administrative expenses for underwriting operations	**81,632**	73,972
Others— for investments and centralised operation	**14,199**	15,161
Total	**95,831**	89,133

The above general and administration expenses include the following costs:

	2019 AED'000	*2018 AED'000*
Staff costs	**64,929**	59,176
Rent	**859**	5,970
Depreciation and amortisation	**8,564**	3,945
Others	**21,479**	20,042
Total	**95,831**	89,133
Average number of employees at 31 December	**285**	285

20.1 During the year, the Company has made social contributions amounting to Nil (2018: AED Nil).

21 RELATED PARTY TRANSACTIONS

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

a) The following are the details of transactions with related parties

	2019 AED'000	*2018 AED'000*
Premiums written	**2,213**	1,865
Claims paid	**1,928**	1,592
Compensation of the key management personnel is as follows:		
Short term (excluding incentives)	**4,440**	4,440
Long term	**302**	370

b) The following are the details of balances with related parties as at 31 December

	For the year ended 2019 AED'000	*For the year ended 2018 AED'000*
Insurance and other receivables (Note 11)	**25,996**	25,914
Allowance for doubtful receivables (Note 11.1)	**(4,721)**	-
Net insurance and other receivables	**21,275**	25,914
Gross outstanding claims (included in claims reported unsettled)	**652**	752
Investment properties (Note 7)	**75,195**	75,195

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

22 CONTINGENT LIABILITIES AND COMMITMENTS

Leases as a lessee
Non-cancellable operating lease rentals are payable as follows:

	2019 AED'000	*2018 AED'000*
Less than one year	-	3,525
Between one year to five years	-	6,261
At 31 December	-	9,786

The Company leases office premises under operating lease. The leases typically run for a period of one year, with an option to renew the lease after that date. As a result of adoption of IFRS 16 from 1 January 2019, the Company does not have any short-term leases for current year and all the future lease commitments has been recognised as lease liabilities in statement of financial position under insurance and other payables.

22 CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Commitments

	2019 *AED'000*	*2018* *AED'000*
Commitment for the construction of development properties	**54,979**	54,979

Guarantees

	2019 *AED'000*	*2018* *AED'000*
Letters of guarantees	**38,114**	33,138

This includes AED 10 million (2018: 10 million) issued in favour of the Insurance Authority of U.A.E.

Contingent liabilities
The Company is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and a reliable estimate of the amount of outflow can be made.

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

23 PAYABLE TO POLICYHOLDERS' OF UNIT LINKED PRODUCTS

The Company has issued unit linked policies which has both a risk and investment component. The investment portion is invested on behalf of the policyholders as disclosed in note 8.3 of these financial statements.

Movement during the year:

	31 December 2019 *AED'000*	*31 December 2018* *AED'000*
As at 1 January	**150,035**	133,426
Amount invested by policyholders - net of allocation charges, redemptions, lapses and surrenders	**91,214**	41,764
Change in fair value	**19,777**	(25,155)
	261,026	150,035

24 SEGMENT INFORMATION

Identification of reportable segments

Primary segment information

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

- The general insurance segment, comprises motor, medical, marine, fire, engineering and general accident.
- The life segment, includes group life, credit life and individual life.

	General insurance		*Life assurance*		*Total*	
	2019 AED'000	*2018 AED'000*	***2019 AED'000***	*2018 AED'000*	***2019 AED'000***	*2018 AED'000*
Gross written premium	**628,644**	657,524	**298,699**	294,383	**927,343**	951,907
Reinsurance ceded	**(376,253)**	(359,522)	**(97,563)**	(153,396)	**(473,816)**	(512,918)
Net retained premium	**252,391**	298,002	**201,136**	140,987	**453,527**	438,989
Net change in unearned premium and policyholders' reserve	**32,809**	44,581	**(115,345)**	(16,910)	**(82,536)**	27,671
Net earned premium	**285,200**	342,583	**85,791**	124,077	**370,991**	466,660
Gross commission earned	**60,416**	64,069	**23,432**	1,077	**83,848**	65,146
Total underwriting income	**345,616**	406,652	**109,223**	125,154	**454,839**	531,806
Net claims incurred	**(170,422)**	(229,891)	**(9,872)**	(4,792)	**(180,294)**	(234,683)
Commission incurred	**(56,294)**	(58,825)	**(67,397)**	(37,448)	**(123,691)**	(96,273)
Administrative expenses	**(56,228)**	(50,427)	**(25,404)**	(23,545)	**(81,632)**	(73,972)
Other operational cost related to underwriting activities	**(44,580)**	(44,147)	**(23,281)**	(15,634)	**(67,861)**	(59,781)
Net movement in fair value of investments held for unit linked products	**-**	-	**19,777**	(25,155)	**19,777**	(25,155)
Total underwriting expenses	**(327,524)**	(383,290)	**(106,177)**	(106,574)	**(433,701)**	(489,864)
Total underwriting profit	**18,092**	23,362	**3,046**	18,580	**21,138**	41,942
Net investment income					**14,529**	(20,584)
General and administrative expenses					**(14,199)**	(15,161)
Profit for the year					**21,468**	6,197

24 SEGMENT INFORMATION (continued)

	General insurance		*Life assurance*		*Total*	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*
	AED'000	*AED'000*	***AED'000***	*AED'000*	***AED'000***	*AED'000*
ASSETS						
Property and equipment	**76,188**	79,467	**25,396**	26,490	**101,584**	105,957
Right-of-use assets	**5,760**	-	**1,920**	-	**7,680**	-
Intangible assets	**6,172**	4,825	**2,057**	1,608	**8,229**	6,433
Investment properties	**56,396**	56,396	**18,799**	18,799	**75,195**	75,195
Investments securities	**126,424**	131,430	**58,537**	69,165	**184,961**	200,595
Investments held on behalf of policyholders' unit linked products	**-**	-	**261,026**	150,035	**261,026**	150,035
Statutory deposit	**6,000**	6,000	**4,000**	4,000	**10,000**	10,000
Reinsurance contract assets	**396,309**	438,577	**121,956**	34,970	**518,265**	473,547
Insurance and other receivables	**379,444**	378,152	**116,935**	121,104	**496,379**	499,256
Cash and bank balances	**91,891**	77,194	**60,953**	44,179	**152,844**	121,373
Total assets	**1,144,584**	1,172,041	**671,579**	470,350	**1,816,163**	1,642,391
LIABILITIES						
Due to Banks	**3,382**	6,312	**-**	-	**3,382**	6,312
Insurance contract liabilities	**625,103**	707,050	**144,668**	49,704	**769,771**	756,754
Insurance and other payables	**364,310**	329,781	**83,215**	91,683	**447,525**	421,464
Provision for employees' end of service benefits	**6,463**	5,680	**2,155**	1,894	**8,618**	7,574
Payable to policyholders of unit linked products	**-**	-	**261,026**	150,035	**261,026**	150,035
Total liabilities	**999,258**	1,048,823	**491,064**	293,316	**1,490,322**	1,342,139
EQUITY						
Share capital					**330,939**	330,939
Statutory reserve					**14,865**	12,718
Special reserve					**14,865**	12,718
Fair value reserve					**(10,268)**	(14,617)
Accumulated losses					**(24,560)**	(41,506)
Total equity					**325,841**	300,252
Total liabilities and equity					**1,816,163**	1,642,391

25 RISK MANAGEMENT

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Compliance with the policy is monitored and exposures and breaches are regularly reviewed for pertinence and for changes in the risk environment.

For all classes of financial assets held by the Company the maximum credit risk exposure to the Company is the carrying value as disclosed in the financial statements at the reporting date. Reinsurance is placed with reinsurers' approved by the management, which are generally international reputed companies.

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.

At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment if required.

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk at the reporting date is shown below:

	Bank balances, statutory deposits and debt investment		***Insurance and other receivables***	
	2019 AED '000	*2018 AED '000*	***2019 AED '000***	*2018 AED '000*
Carrying amount	**218,738**	213,110	**495,004**	489,687
Concentration by sector				
- Financial institution / Reinsurance companies	**21,955**	15,800	**148,450**	165,730
- Banks	**196,783**	197,310	**22,932**	32,533
- Real estate	-	-	**18,583**	15,511
- Service	-	-	**60,272**	68,760
- Others	-	-	**244,767**	207,153
Total carrying amount	**218,738**	213,110	**495,004**	489,687
Concentration by location				
- UAE	**176,560**	153,635	**418,207**	455,803
- GCC	**30,323**	18,002	**48,790**	13,652
- Other Arab Countries	-	-	**9,580**	6,529
- Asian Countries	**11,855**	41,473	**1,395**	-
- European Countries	-	-	**16,635**	8,297
- Others	-	-	**397**	5,406
Total carrying amount	**218,738**	213,110	**495,004**	489,687

The above class of financial instruments provide the best representation for the Company's maximum exposure to credit risk at the end of the year.

The concentrations by location for insurance and other receivables and reinsurance assets are measured based on the residential status of the counter parties. The concentration by location for non-trading investments is measured based on the location of the issuer of the security.

25 RISK MANAGEMENT (continued)

Credit risk (continued)

The age analysis of insurance and other receivables are as follows:

	Gross 2019 AED '000	***Impairment 2019 AED '000***	*Gross 2018 AED '000*	*Impairment 2018 AED '000*
Amounts not yet due	**226,070**	**-**	243,352	-
Past due 0-30 days	**24,975**	**-**	25,761	-
31-180 days	**99,437**	**-**	91,239	-
181-365 days	**46,991**	**-**	46,212	-
More than 365 days	**71,535**	**(23,037)**	57,209	(23,037)
Amounts due from related parties	**25,996**	**(4,721)**	25,914	-
	495,004	**(27,758)**	489,687	(23,037)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements are monitored on a daily basis and management ensures that sufficient funds are available to meet any commitments as they arise.

Maturity profiles

The table below summarizes the maturity profile of the financial liabilities of the Company based on the remaining undiscounted contractual obligations. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2019		***Contractual cash flows***			
	Carrying Value AED '000	***Gross contractual cash flow AED '000***	***Less than 180 days AED '000***	***180 days to 1 year AED '000***	***1-5 Year AED '000***
Liabilities					
Insurance and other payables	**(447,525)**	**(447,525)**	**(447,525)**	**-**	**-**
Payable to policyholders' of unit-linked products	**(261,026)**	**(261,026)**	**(261,026)**	**-**	**-**
	(708,551)	**(708,551)**	**(708,551)**	**-**	**-**

31 December 2018		*Contractual cash flows*			
	Carrying Value AED '000	*Gross contractual cash flow AED '000*	*Less than 180 days AED '000*	*180 days to 1 year AED '000*	*1-5 Year AED '000*
Liabilities					
Insurance and other payables	(421,464)	(421,464)	(421,464)	-	-
Payable to policyholders' of unit-linked products	(150,035)	(150,035)	(150,035)	-	-
	(571,499)	(571,499)	(571,499)	-	-

25 RISK MANAGEMENT (continued)

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

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates and arises from financial instruments denominated in a foreign currency. The Company's functional currency is the UAE Dirham.

The Company has also exposures in USD, which is pegged with AED and the Company's exposure to currency risk is limited to that extent.

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk relates to its bank deposits. At 31 December 2019, fixed deposits carried interest rates ranging from 1% to 8.5% per annum (2018: 1% to 8% per annum).

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

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

	Increase/ decrease in basis points	*Effect on profit for the year AED'000*
2019		
	100	**1,100**
	-100	**(1,100)**
2018		
	100	1,100
	-100	(1,100)

Equity price risk
Equity price risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices.

The Company's equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, sector and market. The fair values of financial assets are not different from their carrying values.

25 RISK MANAGEMENT (continued)

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and other comprehensive income by type of business. The sensitivity analysis indicates the effect of changes in price risk factors arising from the impact of the changes in these factors on the Company's investments:

	10% increase in price		*10% decrease in price*	
	Profit or loss AED '000	*Other comprehensive income AED '000*	*Profit or loss AED '000*	*Other comprehensive income AED '000*
31 December 2019				
Investment at FVTOCI	**-**	**2,588**	**-**	**(2,588)**
Investment at FVTPL	**15,908**	**-**	**(15,908)**	**-**
31 December 2018				
Investment at FVTOCI	-	2,583	-	(2,583)
Investment at FVTPL	17,476	-	(17,476)	-

Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss.

The Company cannot expect to eliminate all operational risks, but by initiating a rigorous control framework and by monitoring and responding to potential risks, the Company is able to manage the risks.

The Company has detailed systems and procedures manuals with effective segregation of duties, access controls, authorisation and reconciliation procedures, staff training and assessment processes etc. with a focus on compliance and internal audit framework. Business risks such as changes in environment, technology and the industry are monitored through the Company's strategic planning and budgeting process.

Subsequent to year-end, there was a global outbreak of Coronavirus (COVID-19) that has been identified as an event which might have potential adverse financial consequences. There were no major reported claims in this regard as of the date of issuance of these financial statements. Notwithstanding, management has assessed the potential risks relating to the outbreak and has taken measures to minimise disruption to business and manage risks of additional unforeseen claims.

26 BASIC AND DILUTED EARNING PER SHARE

Basic earning per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding as set out below:

Movement during the year:

	2019	*2018*
Net profit for the year (AED'000)	**21,468**	6,197
Weighted average number of shares outstanding during the year	**330,939,180**	330,939,180
Basic and diluted earning per share	**0.065**	0.019

There is no dilution effect to the basic earning per share.

27 CAPITAL RISK MANAGEMENT

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 are the draft numbers and are under actuary's review.

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

	2019 ***AED'000***	*2018* *AED'000*
Minimum Capital Requirement (MCR)	**100,000**	100,000
Solvency Capital Requirement (SCR)	**171,515**	177,844
Minimum Guarantee Fund (MGF)	**101,727**	102,935
Own Funds:		
Basic own funds	**190,751**	184,834
Ancillary own funds	**-**	-
MCR Solvency Margin-Surplus/(Deficit)	**90,751**	84,834
SCR Solvency Margin-Surplus/(Deficit)	**19,236**	6,989
MGF Solvency Margin-Surplus/(Deficit)	**89,024**	81,899

As per Article (8) of section (2) of financial regulations issued for insurance companies in the UAE, the Company shall comply with the requirements of solvency margin. As of 31 December 2019, Company is in compliance with solvency requirement based on draft numbers.

28 COMPARATIVE FIGURES

Certain comparative figures in the financial statements have been reclassified to conform to the presentation adopted in the financial statements for current year.