DUBAI NATIONAL INSURANCE & REINSURANCE P.S.C.

DUBAI - UNITED ARAB EMIRATES

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

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Dubai National Insurance & Reinsurance P.S.C.

دبي الوطنية للتأمين وإعادة التأمين ش.م.ع.

Directors' Report

On behalf of the Board of Directors, I am pleased to welcome you to this General Assembly of Dubai National Insurance & Reinsurance PSC, and to present its twenty seventh annual report and accounts for the financial year 2018.

Dubai National Insurance & Reinsurance PSC has consistently generated strong operating results over the past several years & the year 2018 continued this favorable trend by reporting a robust underwriting result that was supported by consistently stable investment earnings. These good results are a reflection of the success of our strategic focus to grow and improve the organization in all the parameters.

The success of your Company can be broadly attributed to steady growth in revenues, solid operating performance, better service quality, very strong balance sheet, judicious selection of risks and disciplined underwriting. Recognition of these factors from the international rating agency A.M. Best resulted in an upgrade of your company's outlooks to "Positive" and affirmation of the Financial Strength Rating of "B++ (Good)".

During the current year your company has developed superior, attractively-priced products and services including more efficient, customer-friendly processes for our brokers and clients which have also directly contributed to the positive underwriting results.

I am pleased to report that your company has delivered another solid performance for the year, as below

- Gross Written Premium for the year grew to AED 351.018 Million, a 8.5% increase on 2017 Gross Written Premium of AED 323.461 Million.
- Net Underwriting Income reflected a strong year on year improvement of 20% - AED 53.290 Million this year as compared to AED 44.479 Million in the previous year.
- The Net profit of the company is AED 52.661 Million in 2018 against AED 50.067 Million in 2017; a yearly growth of 5%

We look forward to building on our accomplishments and taking your company to greater heights in the years to come.

ص.ب: ١٨٠٦، دبي، الإمارات العربية المتحدة | هاتف: ٢٩٥٦٧٠٠ ٤ ٩٧١+ | فاكس: ٢٩٥٦٧١١ ٤ ٩٧١+

P.O. Box: 1806, Dubai, UAE | Tel : +971 4 295 6700 | Fax : +971 4 295 6711 | E-mail: mails@dnirc.com | Website: www.dnirc.com

سجلت في سجل شركات التأمين طبقا للقانون الإتحادي رقم (٦) لسنة ٢٠٠٧، شهادة قيد رقم ٦٤ بتاريخ ٦ يناير ١٩٩٢

Registered in the Insurance Companies Register Under Federal Law No. (6) of 2007, Certificate No. 64 Dated 6th January 1992

The Board is pleased to recommend to the shareholders a cash dividend of 75 % - AED 86.625 Million

The Board takes this opportunity to thank all our shareholders, policyholders, business partners and employees for their continued support.

MOHAMMED KHALAF AL HABTOOR
Managing Director

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Independent Auditor's Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dubai National Insurance & Reinsurance (P.S.C.) (the "Company"), which comprise the statement of financial position as at 31 December 2018, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Company for the year ended 31 December 2018. 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.

i) Valuation of insurance contract liabilities

The estimation of liabilities arising from insurance contracts such as outstanding claims, incurred but not reported claims, unallocated loss adjustment expenses and unearned premium reserve, as disclosed in note 11 to the financial statements, involves a significant degree of judgement. These liabilities are based on the best-estimated ultimate cost of all claims incurred but not settled at a given date, whether reported or not, together with the related claims handling costs and the pattern of risk distribution over the coverage period. Actuarial computations have been used to determine these provisions. Underlying these computations are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. Since the determination of such a provision requires the expertise of an external valuation expert who incorporates significant assumptions, judgements and estimations, the valuation of these liabilities was significant to our audit.

Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of insurance contract liabilities (continued)

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

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

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

ii) Valuation of investment in unquoted securities

The Company holds investments in unquoted equity securities of three entities as at 31 December 2018 (2017: three entities) which amount to AED 68.4 million (2017: AED 82.8 million) representing 15.6% (2017: 21%) of the total amount of its investment in securities as disclosed in note 7 to the financial statements. The valuation of these unquoted equity securities was carried out by an independent valuer and involved judgement in selecting the valuation basis for each investment and further judgement in performing the valuation when the latest market and financial data was not observable. Therefore, the valuation of these unquoted equity securities was significant to our audit.

Our audit procedures, among others, included:

- Discussion with the independent valuer to understand the basis of valuation for each investment and other judgements used in performing the valuation;
- Assessing the appropriateness of the underlying data, pricing methodologies and assumptions used;
- We involved our own valuation specialist to assist us in performing our procedures in this area; and
- We assessed whether the Company's disclosures in relation to the valuation of these unquoted equity securities are compliant with the relevant accounting requirements.

Based on the work performed, we considered the assumptions used by management and related disclosures in the financial statements to be appropriate.

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the *Directors' Report*, but does not include the financial statements and our auditors' report thereon.

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and Federal Law No.6 of 2007 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditor's Report
To the Shareholders of Dubai National Insurance & Reinsurance P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

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

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

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

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

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

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

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Independent Auditor's Report

To the Shareholders of Dubai National Insurance & Reinsurance P.S.C. (continued)

Report on the Audit of the Financial Statements (continued)

Report on Other Legal and Regulatory Requirements

Further, as required by the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Law No. (2) of 2015, we report that:

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

ii) the financial statements have been prepared and comply, in all material respects, with the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Law No. (2) of 2015;

iii) the Company has maintained proper books of account;

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

v) note 7 to the financial statements discloses purchase of shares by the Company during the year ended 31 December 2018;

vi) note 10 to the financial statements discloses material related party transactions, and the terms under which they were conducted; and

vii) based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Company has contravened during the financial year ended 31 December 2018 any of the applicable provisions of the Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations and UAE Federal Law No.(2) of 2015 or of its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2018.

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

Farouk Mohamed
Registered Auditor Number: 86
Dubai – 13 February 2019

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

Statement of financial position
As at 31 December 2018

	Notes	2018 AED'000	2017 AED'000
ASSETS			
Non-current assets			
Statutory deposits	4	10,000	10,000
Property and equipment	5	487	639
Investment property	6	75,899	77,746
		86,386	88,385
Current assets			
Financial assets at fair value through other comprehensive income	7	439,853	387,553
Insurance receivables	8	78,751	58,407
Other receivables	9	27,857	21,289
Due from related parties	10	17,815	13,358
Reinsurance contract assets	11	190,888	174,077
Cash and cash equivalents	12	142,544	140,843
		897,708	795,527
TOTAL ASSETS		984,094	883,912
EQUITY AND LIABILITIES			
EQUITY			
Share capital	13	115,500	115,500
Legal reserve	14	57,750	57,750
Obligatory reserve	15	28,875	28,875
General reserve	16	180,000	180,000
Fair value reserve on financial assets at fair value through other comprehensive income		95,110	66,282
Retained earnings		63,810	51,065
TOTAL EQUITY		541,045	499,472
LIABILITIES			
Non-current liabilities			
Employees' end of service benefits	17	5,497	4,364
Current liabilities			
Insurance contract liabilities	11	293,004	262,390
Insurance payables	18	94,151	66,520
Other payables	19	42,874	37,999
Due to related parties	10	7,523	13,167
		437,552	380,076
TOTAL LIABILITIES		443,049	384,440
TOTAL EQUITY AND LIABILITIES		984,094	883,912

These financial statements were approved by the Board of Directors on 13 February 2019 and signed on their behalf by:

Mohammed Khalaf Al Habtoor
Managing Director

Sultan Ahmed Al Habtoor
Vice Chairman

The notes from 1 to 34 form an integral part of these financial statements.

Dubai National Insurance & Reinsurance P.S.C.
Financial Statements

Income statement
For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Gross premiums		**351,018**	323,461
Reinsurance share of premiums		**(227,705)**	(206,284)
Net premiums		**123,313**	117,177
Net transfer to unearned premium reserve	11 (a)	**(454)**	(7,888)
Net premiums earned		**122,859**	109,289
Commission earned		**23,189**	22,385
Commission paid		**(41,259)**	(33,875)
Others		**4,330**	2,630
Gross underwriting income		**109,119**	100,429
Gross claims paid		**189,235**	173,914
Reinsurance share		**(146,755)**	(119,964)
Net claims paid		**42,480**	53,950
Provision for outstanding claims and technical provisions		**22,443**	23,410
Reinsurance share of outstanding claims and technical provisions		**(9,094)**	(21,410)
Net claims incurred		**55,829**	55,950
Net underwriting income		**53,290**	44,479
Income from investments – net	20	**22,731**	20,681
Income from investment property – net	21	**7,431**	8,994
Other income	22	**10**	34
Gross income		**83,462**	74,188
General and administrative expenses	23	**(30,801)**	(24,121)
Net profit for the year		**52,661**	50,067
		AED	AED
Earnings per share:			
Basic and diluted	24	**0.46**	0.43

The notes from 1 to 34 form an integral part of these financial statements.

Statement of comprehensive income
For the year ended 31 December 2018

	2018 AED'000	2017 AED'000
Net profit for the year	**52,661**	50,067
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net unrealised profit on financial assets at fair value through other comprehensive income	**28,828**	15,237
Total comprehensive income for the year	**81,489**	65,304

The notes from 1 to 34 form an integral part of these financial statements.

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

	Share capital AED'000	Legal reserve AED'000	Obligatory reserve AED'000	General reserve AED'000	Fair value reserve on financial assets at fair value through other comprehensive income AED'000	Retained earnings AED'000	Total equity AED'000
Balance as at 1 January 2017	115,500	57,750	28,875	180,000	51,045	34,879	468,049
Dividend (note 26)	-	-	-	-	-	(28,875)	(28,875)
Directors' remuneration (note 19)	-	-	-	-	-	(5,006)	(5,006)
Transactions with owners	-	-	-	-	-	(33,881)	(33,881)
Net profit for the year	-	-	-	-	-	50,067	50,067
Net unrealised profit on financial asset at fair value through other comprehensive income	-	-	-	-	15,237	-	15,237
Total comprehensive income for the year	-	-	-	-	15,237	50,067	65,304
Balance as at 31 December 2017	**115,500**	**57,750**	**28,875**	**180,000**	**66,282**	**51,065**	**499,472**
Dividend (note 26)	-	-	-	-	-	(34,650)	(34,650)
Directors' remuneration (note 19)	-	-	-	-	-	(5,266)	(5,266)
Transactions with owners	-	-	-	-	-	(39,916)	(39,916)
Net profit for the year	-	-	-	-	-	52,661	52,661
Net unrealised profit on financial asset at fair value through other comprehensive income	-	-	-	-	28,828	-	28,828
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**28,828**	**52,661**	**81,489**
Balance as at 31 December 2018	**115,500**	**57,750**	**28,875**	**180,000**	**95,110**	**63,810**	**541,045**

The notes from 1 to 34 form an integral part of these financial statements.

Statement of cash flows
For the year ended 31 December 2018

	Notes	2018 AED'000	2017 AED'000
Cash flows from operating activities			
Net profit for the year		**52,661**	50,067
Adjustments for:			
Depreciation on property and equipment	5	**359**	411
Depreciation on investment property	6	**1,847**	1,849
Gain on disposal of property and equipment	22	**-**	(34)
Provision for employees' end of service benefits	17	**1,176**	600
Insurance contract provisions		**30,614**	50,932
Reinsurance contract assets		**(16,811)**	(41,044)
Income from investments – net	20	**(22,731)**	(20,681)
Income from investment property		**(9,278)**	(10,843)
Operating cash flows before changes in working capital		**37,837**	31,257
Changes in working capital:			
Insurance receivables		**(20,344)**	(14,788)
Other receivables		**(6,568)**	(5,034)
Insurance payables		**27,631**	15,627
Other payables		**(391)**	(1,182)
Due from/(to) related parties – net		**(10,101)**	3,140
Cash generated from operations		**28,064**	29,020
Employees' end of service benefits paid	17	**(43)**	(584)
Net cash generated from operating activities		**28,021**	28,436
Cash flows from investing activities			
Purchase of property and equipment	5	**(207)**	(280)
Purchase of financial assets at fair value through other comprehensive income	7	**(23,472)**	-
Proceeds from disposals of property and equipment		**-**	34
Income from investments – net	20	**22,731**	20,681
Income from investment property		**9,278**	10,843
Net cash generated from investing activities		**8,330**	31,278
Cash flows from financing activity			
Dividend paid	26	**(34,650)**	(28,875)
Net cash used in financing activity		**(34,650)**	(28,875)
Net change in cash and cash equivalents		**1,701**	30,839
Cash and cash equivalents at beginning of the year		**140,843**	110,004
Cash and cash equivalents at end of the year	12	**142,544**	140,843

The notes from 1 to 34 form an integral part of these financial statements.

1 Legal status and activities

Dubai National Insurance & Reinsurance (P.S.C.) (the "Company") is a public shareholding company incorporated in Dubai on 6 January 1992 with an overseas branch in Beirut, Lebanon.

The Company is engaged in insurance and reinsurance of all classes of business in accordance with the provisions of the United Arab Emirates ("UAE") Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations relating to insurance companies and insurance agents.

The registered address of the Company is at Floor 7 & 9, Dubai National Insurance Building, Port Saeed, P.O Box 1806, Dubai, U.A.E.

The total number of staff employed by the Company as at 31 December 2018 was 116 (2017: 105).

The overseas branch in Beirut has been wound up during the year. Its license as required by local regulations has been terminated and has been shut down after meeting all its obligations as published in the official gazette dated April 2004. The branch has no operations and the total expenses and assets of the branch are not material to these financial statements. Hence, these financial statements do not separately disclose the expenses, assets, liabilities and cash flows for the discontinued operations of the branch.

2 Statement of compliance with IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) promulgated by International Accounting Standards Board (IASB) and interpretations thereof issued by the International Financial Reporting Interpretation Committee and in compliance with the applicable requirements of UAE Federal Law No. (2) of 2015 relating to commercial companies, and of UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations, concerning insurance companies and agents. These financial statements are prepared in UAE Dirhams ("AED"), rounded to the nearest thousand.

2.1 Standards, interpretations and amendments to existing standards

a) Standards, interpretations and amendments to existing standards that are effective in 2018

Certain standards, interpretations and amendments to existing standards, issued by the IASB, that are effective for the accounting period beginning on or after 1 January 2018 are relevant to the Company and have been applied for the first time. The nature and impact of these standards, interpretations and amendments is described in the accounting policies.

Standard number	Title	Effective date
IFRS 15	Revenue from Contracts with Customers – New	January 1, 2018
IFRS 9	Financial Instruments – Amendments	January 1, 2018

2 Statement of compliance with IFRS (continued)

2.1 Standards, interpretations and amendments to existing standards (continued)

b) Standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Company

a) IFRS 16 'Leases' brings most leases on balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from contracts with customers' has also been applied.

b) IFRS 17 'Insurance Contracts' requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 'Insurance Contracts' as of 1 January 2022.

There are no other standards and interpretations issued but not yet adopted that the directors anticipate to have a material effect on the reported income or net assets of the Company.

The Company has yet to assess the impact of these standards on the financial statements.

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared using the measurement basis specified by IFRS for each type of asset, liability, income and expense. The measurement bases are described in more detail in the accounting policies.

3.2 Property and equipment

Property and equipment are recorded at cost less accumulated depreciation and any impairment losses. Depreciation is charged on a straight-line basis over the estimated useful lives of the property and equipment.

The rates of depreciation used are based on the following estimated useful lives of the assets:

	Years
Furniture and fixtures	4-11
Motor vehicles	3
Computer equipment	4

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property and equipment are determined as the difference between the disposal proceeds and the net carrying amount of the assets and are recognised in profit or loss within 'other income'.

3 Summary of significant accounting policies (continued)

3.3 Investment property

Investment property is initially recognised at cost and subsequently accounted for using the cost model. The cost model requires investment property to be stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful life of the investment property which has been estimated to be 40 years.

No depreciation is charged on freehold land.

Investment property is derecognised when either it has 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 income statement in the year of retirement or disposal.

Fair value of investment property is determined by independent surveyors only for disclosure purposes.

3.4 Revenue recognition

The Company has adopted IFRS 15 Revenue from Contracts with Customers with effect from 1 January 2018. IFRS 15 establishes a single comprehensive five-step model for entities to use in accounting for revenue arising from contracts with customers. It has superseded the following revenue Standards and Interpretations upon its effective date:

- IAS 18, Revenue;
- IAS 11, Construction Contracts;
- IFRIC 13, Customer Loyalty Programmes;
- IFRIC 15, Agreements for the Construction of Real Estate;
- IFRIC 18, Transfers of Assets from Customers; and
- SIC 31, Revenue-Barter Transactions Involving Advertising Services.

The five steps in the model are as follows:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company has assessed that the impact of IFRS 15 is not material on the financial statements of the Company as at the reporting date and as at the date of the initial application, 1 January 2018, as significant portion of its revenue is in accordance with IFRS 4, Insurance Contracts.

Gross premiums

Gross premiums and policy fees are recognised as income when insurance policies are issued to the insured, consequent to the acceptance of the risk.

Commission on reinsurance

With effect from 1 January 2017, the Company has changed its policy to initially defer commission earned, excluding profit commission and recognise it as income over the policy period. Profit commission is recognised at the time of settlement.

3 Summary of significant accounting policies (continued)

3.4 Revenue recognition (continued)

Interest income

Interest income is recognised on an accrual basis taking into account effective interest rates on the instrument, on a time proportionate basis when it becomes receivable.

Rental income

Rental income from investment property is recognised on a straight line basis over the term of the lease.

Dividend income

Dividend income is recognised when the right to receive payment is established.

3.5 Claims

Claims incurred comprise actual claims and other related costs paid and incurred in the year, and movement in outstanding claims. Claim handling costs are recognised at the time of registering the claims.

On account of uncertainties involved in non-motor claim recoveries, salvage and subrogation rights are recognised only at the time of actual recovery. For motor claim recoveries, salvage is accounted for at the time of registering the claims.

Provision for outstanding claims represents the estimated settlement values of all claims notified, but not settled at the statement of financial position date on the basis of individual case estimates.

The reinsurers' portion towards the above outstanding claims is classified as reinsurance contract assets and shown as current assets in the statement of financial position.

3.6 Provision for IBNR

Provision for Incurred But Not Reported ("IBNR") claims is made at the statement of financial position date based on an actuarial estimate obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority UAE.

3.7 Provision for ULAE

Provision for Unallocated Loss Adjustment Expenses (ULAE) which cannot be allocated to specific claims, is made at the statement of financial position date based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, UAE.

3.8 Liability adequacy test

All recognised insurance liabilities including provision for outstanding claims are subject to liability adequacy test at each reporting date. This involves comparison of current estimates of all contractual cash flows attached to these liabilities with their carrying amounts. Estimates of contractual cash flows include expected claim handling costs and recoveries from third parties. Any deficiency in carrying amounts is charged to the income statement by establishing a provision for losses arising from liability adequacy test.

3 Summary of significant accounting policies (continued)

3.9 Unearned premium reserve

Unearned Premium Reserve (UPR) represents that portion of premiums earned, gross of reinsurance, which relates to the period of insurance subsequent to the statement of financial position date and is mainly computed on linear method based on the outstanding period from the date of statement of financial position up to the date of the maturity of the policy based on actuarial estimates obtained from an independent actuary in accordance with the financial regulations for insurance companies issued by the Insurance Authority, UAE.

3.10 Reinsurance premium

Ceded reinsurance premiums are accounted for in the same accounting periods in which the premiums for the related direct insurance are recorded and the unearned portion is calculated on linear basis in accordance with reinsurance arrangements in place.

3.11 Reinsurance assets

Amounts recoverable under reinsurance contracts are assessed for impairment at each statement of financial position date. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer.

3.12 Financial instruments

a) Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value plus transactions costs. Regular way purchases and sales of financial assets are recognised on the date on which the Company commits to purchase or sell the asset i.e. the trade date.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished.

b) Classification and subsequent measurement of financial assets

For the purposes of subsequent measurement, the Company classifies its financial assets into the following categories:

i) Financial assets at amortised cost

Financial assets at amortised cost are those financial assets for which:

- the Company's business model is to hold them in order to collect contractual cash flows; and
- the contractual terms give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

These are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets.

Financial assets at amortised cost comprise statutory deposits, cash and cash equivalents, due from related parties and most other receivables.

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

ii) Financial assets at fair value through other comprehensive income ('FVTOCI')

Investments in equity securities are classified as FVTOCI. At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity investments at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Fair value measurement

For investments traded in organised financial markets, fair value is determined by reference to stock exchange quoted prices at the close of business on the statement of financial position date. Investments in unquoted securities are measured at fair value, considering observable market inputs and unobservable financial data of investees.

Gains or losses on subsequent measurement

Gain or loss arising from change in fair value of investments at FVTOCI is recognised in other comprehensive income and reported within the fair value reserve for investments at FVTOCI within equity. When the asset is disposed of, the cumulative gain or loss recognised in other comprehensive income is not reclassified from the equity reserve to income statement, but is reclassified to retained earnings.

c) Classification and subsequent measurement of financial liabilities

Financial liabilities comprise amounts due to related parties and most other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

d) Impairment and uncollectability of financial assets

The Company recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- financial guarantee contracts issued; and
- loan commitments issued.

The Company has not recognised any impairment loss against equity instruments.

The Company measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, in which case 12-month ECL are measured.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after reporting date.

Measurement of ECL

ECL are probability-weighted estimates of credit losses. They are measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

3 Summary of significant accounting policies (continued)

3.12 Financial instruments (continued)

d) Impairment and uncollectability of financial assets (continued)

Measurement of ECL (continued)

- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive; and
- financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company expects to recover.

The Company has assessed that the impact of IFRS 9 is not material on the financial statements of the Company as at the reporting date and as at the date of initial application, January 2018.

e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.13 Receivables and payables related to insurance contracts

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

If there is objective evidence that the insurance receivables are impaired, the Company reduces the carrying amount of the insurance receivables accordingly and realises the impairment loss in the income statement.

3.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered such as paid vacation leave and bonuses) is recognised in the period in which the service is rendered.

Provision for employees' end of service benefits

A provision for employees' end of service benefits is made for the full amount due to employees for their periods of service up to the reporting date in accordance with the UAE Labour Law and is reported as separate line item under non-current liabilities.

The entitlement to end of service benefits is based upon the employees' salary and length of service, subject to the completion of a minimum service period as specified in the UAE Labour Law. The expected costs of these benefits are accrued over the period of employment.

3 Summary of significant accounting policies (continued)

3.15 Foreign currency transactions

Transactions in foreign currencies are translated to AED at the foreign exchange rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to AED at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

3.16 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each statement of financial position date or whenever there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The impairment losses are recognised in the income statement. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.17 Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

3.18 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, call deposits, current accounts and fixed deposits which have original maturities of less than 3 months and are free from lien.

3.19 Provisions, contingent liabilities and contingent assets

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination.

Possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets.

3 Summary of significant accounting policies (continued)

3.20 Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued.

Other details for reserves are mentioned in notes 14, 15 and 16 to the financial statements.

Retained earnings include all current and prior period retained profits or losses.

Dividend payable to equity shareholders is included in other liabilities only when the dividend has been approved in a general assembly meeting prior to the reporting date.

3.21 Critical accounting estimates and judgements in applying accounting policies

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Outstanding claims, IBNR, ULAE and UPR

The estimation of the ultimate liability (outstanding claims, IBNR and ULAE) arising from claims and UPR made under insurance contracts is the Company's most critical accounting estimate. These estimates are continually reviewed and updated, and adjustments resulting from this review are reflected in the income statement. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends (including actuarial calculations), is an appropriate basis for predicting future events.

Classification of investment property and related fair value judgement

The Company makes judgement to determine whether a property qualifies as investment property and follows the guidance of IAS 40 'Investment Property' to consider whether any owner occupied property is not significant and is classified accordingly as investment property.

Fair value of investment property is estimated by an independent professional valuer for disclosure purposes only, considering the rental yield (income approach). This estimate was made considering market rent and average rental yield. Fair value was dependent on market factors and availability of information.

Fair value of unquoted securities

Fair value of unquoted securities has been determined by the management based on Earnings Multiple and Net Assets Value Techniques using observable market data of comparable public entities, certain discount factors and unobservable financial data of respective non-public investees. Actual results may substantially be different. Further information on using the estimates is mentioned in note 7.

Provision for doubtful debts

Management reviews the provision for doubtful debts at each reporting date by assessing the recoverability of insurance and reinsurance receivables. For non-insurance receivables the recoverability is assessed, and provisions are created in compliance with the simplified approach under the IFRS 9 methodology.

3.22 Segment reporting

Under IFRS 8 "Operating Segments", reported segments' profits are based on internal management reporting information that is regularly reviewed by the chief operating decision maker. The measurement policies used by the Company for segment reporting under IFRS 8 are the same as those used in its financial statements.

4 Statutory deposits

	2018 AED'000	2017 AED'000
Held with a local bank in Dubai, UAE	**10,000**	10,000

Statutory deposits held with a local bank in Dubai, UAE represent deposit held under a lien in favour of the Ministry of Economy and Planning in accordance with Article 42 of Federal Law No. (6) of 2007 on Establishment of the Insurance Authority and Organisation of its Operations relating to insurance companies and brokers. The deposit cannot be withdrawn without prior approval from the Ministry of Economy and Planning.

5 Property and equipment

	Furniture and fixtures AED'000	Motor vehicles AED'000	Computer equipment AED'000	Total AED'000
Cost				
At 1 January 2018	1,976	375	3,945	6,296
Additions	26	-	181	207
At 31 December 2018	**2,002**	**375**	**4,126**	**6,503**
Accumulated depreciation				
At 1 January 2018	1,897	260	3,500	5,657
Charge for the year	47	69	243	359
At 31 December 2018	**1,944**	**329**	**3,743**	**6,016**
Net book value				
At 31 December 2018	**58**	**46**	**383**	**487**
Cost				
At 1 January 2017	1,941	434	3,759	6,134
Additions	35	59	186	280
Disposals	-	(118)	-	(118)
At 31 December 2017	1,976	375	3,945	6,296
Accumulated depreciation				
At 1 January 2017	1,846	305	3,213	5,364
Charge for the year	51	73	287	411
Disposals	-	(118)	-	(118)
At 31 December 2017	1,897	260	3,500	5,657
Net book value				
At 31 December 2017	79	115	445	639

6 Investment property

	2018 AED'000	2017 AED'000
Cost		
At 1 January	**105,721**	105,721
Accumulated depreciation		
At 1 January	**27,975**	26,126
Charge for the year	**1,847**	1,849
At 31 December	**29,822**	27,975
Net book value at 31 December	**75,899**	77,746

On 31 December 2018, Land Sterling LLC and The Technical and Loss Adjusting Services Company LLC, independent and experienced professional valuers estimated the fair value of investment property at AED 173.48 million and AED 188.02 million respectively (2017: ValuStrat Consulting LLC and The Technical and Loss Adjusting Services Company LLC, independent and experienced professional valuers estimated the fair value of investment property at AED 176 million and AED 196.50 million respectively). The valuers hold relevant professional qualifications and experience. Investment property is held for capital appreciation and rental purposes. The Company occupies an insignificant area of 9% (2017: 9%) in the investment property for use in its own business.

7 Financial assets at fair value through other comprehensive income

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The fair values of the financial assets are classified into these three levels as follows:

	Note	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000	Total AED'000
31 December 2018					
Investment in quoted securities	(a)	**371,453**	**-**	**-**	**371,453**
Investment in unquoted securities*	(b)	**-**	**-**	**68,400**	**68,400**
Net fair value		**371,453**	**-**	**68,400**	**439,853**
31 December 2017					
Investment in quoted securities	(a)	304,720	-	-	304,720
Investment in unquoted securities*	(b)	-	-	82,833	82,833
Net fair value		304,720	-	82,833	387,553

* The title of unquoted securities is held by related parties for the beneficial interest of the Company.

7 Financial assets at fair value through other comprehensive income (continued)

(a) Fair values have been determined by reference to quoted prices at the reporting date. During the year, the Company purchased quoted equity securities amounting to AED 23.47 million (2017: Nil).

(b) The Company holds investments in unquoted equity securities of three entities as at 31 December 2018 (2017: three entities). These investments have been fair valued by an independent valuer based on an Earnings Multiple (2017: Earnings multiples and Net asset value technique) using observable market data of comparable public entities, certain discount factors and unobservable financial data of these non-public investees. Unobservable financial data used in determining the fair values of these unquoted securities has been extracted from their latest available audited financial statements for the ended 31 December 2017 (2017: financial statements for the year ended 31 December 2016).

Fair values of these unquoted securities would have been different if the financial data of these non-public investees as at 31 December 2018 could be used based on its availability. These fair values are considered to be the best estimate given the availability of information. All the unquoted securities fall under level 3 of fair value hierarchy therefore use of estimates is significant.

Movement in financial assets grouped in level 3

The reconciliation of carrying amounts of financial instruments classified within level 3 is as follows:

	2018 **AED'000**	2017 AED'000
Investments in unquoted securities		
Balance as at 1 January	**82,833**	60,903
Gains or losses recognised in other comprehensive income	**(14,433)**	21,930
Balance as at 31 December	**68,400**	82,833

8 Insurance receivables

	2018 **AED'000**	2017 AED'000
Due from policy holders	**8,836**	5,031
Due from insurance companies	**19,252**	11,009
Due from reinsurance companies	**2,243**	5,919
Due from insurance brokers	**51,525**	39,192
	81,856	61,151
Provision for bad and doubtful debts	**(3,105)**	(2,744)
	78,751	58,407

The average credit period is 90 days. Insurance receivables of AED 3.11 million (2017: AED 2.74 million), which are impaired and not recoverable, are fully provided.

9 Other receivables

	2018 AED'000	2017 AED'000
Deferred commission cost	**17,383**	16,501
Prepayments	**5,079**	3,785
Accrued interest	**527**	495
Rent receivable	**4,906**	2,161
Other receivables	**2,103**	508
	29,998	23,450
Expected credit losses	**(2,141)**	(2,161)
	27,857	21,289

The Company has recognised AED 2.14 million as a provision on doubtful rent receivables (2017: AED 2.16 million).

10 Related parties

Details of related parties' balances are as follows:

Amounts due from related parties

	2018 AED'000	2017 AED'000
Related parties due to common directorship		
Diamondlease LLC	**3,419**	4,734
Al Habtoor Theatre LLC	**6,636**	4,324
St. Regis Hotel Dubai LLC	**-**	1,143
The Westin Hotel Al Habtoor City Dubai LLC	**-**	1,073
Dubai National Investment Co.	**2,965**	402
North Hotel LLC	**1,160**	-
Other Habtoor Group companies	**3,635**	1,682
	17,815	13,358

Amounts due to related parties

	2018 AED'000	2017 AED'000
Related parties due to common ownership		
Al Habtoor Motors Co LLC	**7,009**	13,162
Other Habtoor Group companies	**514**	5
	7,523	13,167

10 Related parties (continued)

The Company, in the normal course of business, collects premiums from and settles claims of other businesses that fall within the definition of related parties as per IAS 24. These transactions are carried out at terms mutually agreed between the parties.

Details of significant transactions with related parties are shown below:

	2018 AED'000	2017 AED'000
Premiums written	**62,213**	66,107
Claims paid	**9,371**	15,412
Commission paid	**3,537**	7,405
Agency / Non-Agency repairs	**36,771**	43,710
Key management personnel remuneration		
- Short term benefits	**2,790**	2,479
- Post-employment benefits	**445**	96
	3,235	2,575

11 Insurance contract liabilities

Assumptions and sensitivities

The process used to determine assumptions for assessing claims provision is reviewed and updated to be consistent with observable market practices and other reliable information to result in most likely expected outcome.

However, considering the nature of business it cannot be predicted with certainty the likely outcome and the actual cost of the claim. But each claim is assessed on a case to case basis depending upon information available and past trends.

An analysis of sensitivity is carried out for various claims which are an indication for establishing the adequacy of the estimation process. The management believes that the liability for claims reported in the statement of financial position is adequate.

Claims development

For all classes of business underwritten by the Company the uncertainty is typically resolved generally within one year except for Motor Insurance where the uncertainty is generally resolved within three years. The following table reflects the cumulative incurred claims notified, IBNR and ULAE for each successive accident year at each statement of financial position date, together with cumulative payments to date.

11 Insurance contract liabilities (continued)

Claims development (continued)

	Accident year					
	2014 & prior AED'000	2015 AED'000	2016 AED'000	2017 AED'000	2018 AED'000	Total AED'000
Estimate of cumulative claims						
At the end of accident year	992,425	111,857	142,364	165,459	193,467	
One year later	986,401	122,018	162,864	179,257	-	
Two years later	981,554	121,284	159,937	-	-	
Three years later	979,970	117,089	-	-	-	
Four years later	967,155	-	-	-	-	
Estimate of cumulative claims	967,155	117,089	159,937	179,257	193,467	1,616,905
Cumulative payments to date	953,319	112,871	142,595	163,316	171,018	1,543,119
Provision for outstanding claims as on 31 December 2018	13,836	4,218	17,342	15,941	22,449	73,786
IBNR and other reserves as on 31 December 2018	-	-	193	5,494	58,968	64,655
ULAE reserves as on 31 December 2018	310	74	348	500	1,388	2,620
Gross outstanding claims and technical provisions as on 31 December 2018	14,146	4,292	17,883	21,935	82,805	141,061
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2018	10,883	2,386	12,117	14,896	50,959	91,241
Net outstanding claims and technical provisions as on 31 December 2018	3,263	1,906	5,766	7,039	31,846	49,820
Provision for outstanding claims and technical provisions as on 31 December 2017	20,935	4,966	8,632	24,534	59,551	118,618
Reinsurer's share of outstanding claims and technical provisions as on 31 December 2017	18,812	3,293	4,989	18,514	36,539	82,147

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

11 Insurance contract liabilities (continued)

		2018			2017		
		Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000	Gross insurance contract liabilities AED'000	Reinsurance contract assets AED'000	Net insurance contract liabilities AED'000
Unearned premium reserve	(a)	**151,943**	**(99,647)**	**52,296**	143,772	(91,930)	51,842
Insurance contract provisions	(b)	**73,786**	**(52,134)**	**21,652**	73,836	(57,527)	16,309
Provision for IBNR	(c)	**64,655**	**(39,107)**	**25,548**	42,539	(24,620)	17,919
Provision for ULAE	(d)	**2,620**	**-**	**2,620**	2,243	-	2,243
		293,004	**(190,888)**	**102,116**	262,390	(174,077)	88,313

a) Unearned premium reserve

		2018			2017		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at 1 January	(i)	**143,772**	**(91,930)**	**51,842**	116,250	(72,296)	43,954
Provision made during the year		**150,517**	**(98,456)**	**52,061**	142,040	(90,449)	51,591
Provision released during the year		**(142,346)**	**90,739**	**(51,607)**	(114,518)	70,815	(43,703)
Net movement during the year	(ii)	**8,171**	**(7,717)**	**454**	27,522	(19,634)	7,888
Balance as at 31 December	(i + ii)	**151,943**	**(99,647)**	**52,296**	143,772	(91,930)	51,842

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

11 Insurance contract liabilities (continued)

b) Insurance contract provisions

		2018 Gross AED'000	2018 Reinsurance share AED'000	2018 Net AED'000	2017 Gross AED'000	2017 Reinsurance share AED'000	2017 Net AED'000
Balance as at 1 January	(i)	**73,836**	**(57,527)**	**16,309**	64,107	(46,571)	17,536
Provision made during the year		**189,185**	**(141,362)**	**47,823**	183,643	(130,920)	52,723
Settled during the year		**(189,235)**	**146,755**	**(42,480)**	(173,914)	119,964	(53,950)
Net movement during the year	(ii)	**(50)**	**5,393**	**5,343**	9,729	(10,956)	(1,227)
Balance as at 31 December	(i + ii)	**73,786**	**(52,134)**	**21,652**	73,836	(57,527)	16,309

c) Provision for IBNR

		2018 Gross AED'000	2018 Reinsurance share AED'000	2018 Net AED'000	2017 Gross AED'000	2017 Reinsurance share AED'000	2017 Net AED'000
Balance as at 1 January	(i)	**42,539**	**(24,620)**	**17,919**	29,238	(14,166)	15,072
Provision made during the year		**58,968**	**(34,328)**	**24,640**	30,258	(23,267)	6,991
Provision released during the year		**(36,852)**	**19,841**	**(17,011)**	(16,957)	12,813	(4,144)
Net movement during the year	(ii)	**22,116**	**(14,487)**	**7,629**	13,301	(10,454)	2,847
Balance as at 31 December	(i + ii)	**64,655**	**(39,107)**	**25,548**	42,539	(24,620)	17,919

11 Insurance contract liabilities (continued)

d) Provision for ULAE

		2018			2017		
		Gross AED'000	Reinsurance share AED'000	Net AED'000	Gross AED'000	Reinsurance share AED'000	Net AED'000
Balance as at 1 January	(i)	**2,243**	**-**	**2,243**	1,863	-	1,863
Provision made during the year		**1,372**	**-**	**1,372**	2,243	-	2,243
Provision released during the year		**(995)**	**-**	**(995)**	(1,863)	-	(1,863)
Net movement during the year	(ii)	**377**	**-**	**377**	380	-	380
Balance as at 31 December	(i + ii)	**2,620**	**-**	**2,620**	2,243	-	2,243

12 Cash and cash equivalents

	2018 AED'000	2017 AED'000
Cash in hand and at banks	**142,544**	140,843
	======	======

Cash and bank includes short term deposits (3-12 months) with local banks carrying interest ranging from 1.95%-3.50% (2017: 1.25%-2.25%) per annum.

13 Share capital

The authorised and issued share capital comprises 115,500,000 fully paid-up shares of AED 1 each:

	2018 No of shares	2018 AED'000	2017 No of shares	2017 AED'000
Balance at 31 December	**115,500,000**	**115,500**	115,500,000	115,500
	=========	=========	=========	=========

14 Legal reserve

In accordance with the Company's Articles of Association and Article 239 of the Federal Law No. 2 of 2015, a minimum of 10% of the Company's annual net profits must be transferred to a non-distributable legal reserve. As per the Company's Articles of Association, such transfers are required until the balance in the legal reserve equals 50% of the Company's paid-up share capital. No transfer to legal reserve has been made during the year as it has already reached 50% of the paid-up share capital (2017: Nil).

15 Obligatory reserve

In accordance with the Company's Articles of Association, at least 10% of the Company's annual net profits (before directors' fees) must be transferred to a non-distributable obligatory reserve. Such transfers are required until the balance in this reserve equals 25% of the Company's paid-up share capital, or until the transfer is suspended by resolution of the shareholders. No transfer to obligatory reserve has been made during the year as it has already reached 25% of the paid-up share capital (2017: Nil).

16 General reserve

This reserve can be utilised for any purpose proposed by the Board of Directors subject to approval by the General Assembly. During the year, there were no transfers from or to the general reserve (2017: Nil).

17 Employees' end of service benefits

	2018 AED'000	2017 AED'000
Balance at 1 January	**4,364**	4,348
Charge for the year	**1,176**	600
Payments during the year	**(43)**	(584)
Balance at 31 December	**5,497**	4,364

18 Insurance payables

	2018 AED'000	2017 AED'000
Trade creditors	**12,794**	9,323
Insurance companies	**9,868**	6,240
Re-insurance companies	**54,233**	39,846
Brokers payable	**11,555**	5,802
Premium reserve withheld	**5,701**	5,309
	94,151	66,520

19 Other payables

	2018 AED'000	2017 AED'000
Deferred commission income	**10,632**	12,206
Accrued expenses	**5,949**	4,441
Provision for staff benefits	**3,089**	2,980
Directors' remuneration *	**5,266**	5,006
Other payables	**17,938**	13,366
	42,874	37,999

* Directors' remuneration is an appropriation of net profit for the year in accordance with Article 169 of U.A.E Federal Law No. 2 of 2015 and also as per the Articles of Association of the Company.

20 Income from investments - net

	2018 AED'000	2017 AED'000
Dividend income on securities – net	**20,443**	18,943
Interest income – net	**2,288**	1,738
	22,731	20,681

21 Income from investment property - net

	2018 AED'000	2017 AED'000
Gross rental income	13,659	14,638
Maintenance expenses	(4,381)	(3,795)
Depreciation (note 6)	(1,847)	(1,849)
	7,431	8,994

22 Other income

	2018 AED'000	2017 AED'000
Gain on disposal of property and equipment	-	34
Miscellaneous scrap sales	10	-
	10	34

23 General and administrative expenses

	2018 AED'000	2017 AED'000
Personnel costs	18,197	16,528
Other operational expenses	12,604	7,593
	30,801	24,121

24 Earnings per share

	2018	2017
Net profit for the year (AED'000)	52,661	50,067
Weighted average number of shares outstanding (note 13)	115,500,000	115,500,000
Earnings per share (AED) - Basic and diluted	0.46	0.43

25 Segment reporting

The Company operates two main business segments: Underwriting and Investments.

Underwriting segment is further classified into General Insurance and Life Insurance. Investments segment comprises Investment Property and Financial Assets. The life insurance provided by the Company is for a period of 12 months and does not include any investment portion.

25 Segment reporting (continued)

	2018 AED'000			2017 AED'000		
	Underwriting	**Investments**	**Total**	Underwriting	Investments	Total
Segment revenue	**351,018**	**36,760**	**387,778**	323,461	37,808	361,269
Segment result	**53,290**	**30,162**	**83,452**	44,479	29,675	74,154
Unallocated:						
-Other income			**10**			34
-Admin expenses			**(30,801)**			(24,121)
Net profit for the year			**52,661**			50,067
Segment assets	**315,798**	**515,752**	**831,550**	267,770	465,299	733,069
Unallocated assets			**152,544**			150,843
Total assets			**984,094**			883,912
Segment liabilities	**437,150**	**5,899**	**443,049**	383,465	975	384,440
Unallocated liabilities			**-**			-
Total liabilities			**443,049**			384,440

Underwriting results are further classified as follows:

	AED'000		
2018	**General business**	**Life business**	**Total**
Gross premiums written	**347,094**	**3,924**	**351,018**
Gross underwriting income	**107,988**	**1,131**	**109,119**
Net claims incurred	**55,543**	**286**	**55,829**
Net underwriting income	**52,445**	**845**	**53,290**
2017			
Gross premiums written	319,269	4,192	323,461
Gross underwriting income	99,295	1,134	100,429
Net claims incurred	55,611	339	55,950
Net underwriting income	43,684	795	44,479

26 Proposed dividends

The Board has proposed cash dividend of 75% of paid up share capital, amounting to AED 86.625 million (AED 0.75 per share) for the year ended 31 December 2018.

During the previous year, the Board proposed a cash dividend of AED 34.650 million (AED 0.30 per share) representing 30% of the paid up capital as at 31 December 2017. This was approved at the Annual General Meeting held on 7 March 2018.

27 Commitments and contingencies

	2018 AED'000	2017 AED'000
Financial guarantee	**310**	300

Guarantees of AED 0.3 million (2017: AED 0.3 million) issued by banks are secured by way of deposits held.

The Company is subject to litigation in the normal course of its business. Although the ultimate outcome of these claims cannot presently be determined, adequate provisions have been made for any liability that may result, based on management's best estimates.

28 Operating lease

Leases as a lessor
The Company has leased out its investment property under various operating leases.

Operating lease rentals receivable are:

	2018 AED'000	2017 AED'000
Due within one year	**7,486**	7,642
Due within two to five years	**7,299**	9,051

Leases as a lessee
At the statement of financial position date, there were no major outstanding commitments under non-cancellable operating leases.

29 Capital commitments

At the statement of financial position date, there were no major capital commitments (2017: Nil).

30 Risk management objectives and policies for mitigating insurance risk

The primary insurance activity carried out by the Company assumes the risk of loss from persons or organisations that are directly subject to the risk. Such risks may relate to property, liability, life, accident health, financial or other perils that may arise from an insurable event.

The Company also has exposure to market risk through its insurance and investment activities. The Company manages the risk through well laid out procedures and delegation levels for both underwriting and settlement of claims.

The Company has structured policies for acceptance and pricing risks. Experienced and qualified professionals undertake the assessment of risks and pricing, with a conservative and cautious approach. Survey, risk measurement, sensitivity analysis, reinsurance term etc., are followed meticulously before acceptance of risk. Apart from these study of portfolio, probability, market trend, past history are all considered for pricing.

30 Risk management objectives and policies for mitigating insurance risk (continued)

Underwriting strategy

This involves the Company's own risk assessment procedures and is based on a balanced portfolio. It is set out in terms of industry, type of exposures, limits for each class, and quality of risks with acceptance levels. This is percolated down to the lower levels of the underwriting sections with the authorities specified along with their limits. Risk selection is set out as per the Company's risk management policies.

Managing reinsurance risk

The Company carries reinsurance cover to minimise exposure to potential losses arising from large insurance claims and consequently in the normal course of business enters into arrangements with other parties for reinsurance purposes. Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance arrangements.

This reinsurance is through proportional treaty, non-proportional treaty and facultative reinsurance contracts. The reinsurers are selected based on their standing in the market, rating, relationship experience and length of association.

Reinsurance recoverable is monitored on a regular basis and through exchange of statements which are duly reconciled.

Terms and conditions of insurance contracts

Insurance contracts are based on uncertainty. As such the terms and conditions of insurance contracts varies but are generally based on norms as applied in the Insurance Market.

Sensitivity of underwriting profits and losses

The contribution from insurance operations to the profit of the Company amounts to AED 53.290 million for the year ended 31 December 2018 (2017: AED 44.479 million)

The Company does not foresee any major impact from insurance operations on account of the following:

- The overall risk retention level of the Company in the year ended 31 December 2018 is 35% (2017: 36%). The Company has initiated series of enterprise-wide risk management measures which includes acceptance and transfer of risks. Appropriate Excess of Loss protections have been designed and placed. The insurance liabilities of the Company are being adequately covered by Treaty/Facultative arrangements with rated reinsurance companies and Excess of Loss reinsurance programs to safeguard against any major financial impact.
- The Company's commissions earned from reinsurance placements are consistent and remain a comfortable source of income.

Because of the low risk retention in all classes of business, the Company does not foresee any serious financial impact in the insurance net profits due to changes in the loss ratios.

30 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting

Pursuant to the requirement of financial regulations of Insurance Authority, United Arab Emirates, statements of financial position and income statements of Life Insurance (referred to as "Persons and Funds Accumulation Operations") and General Insurance (referred to as "Property and Liability Insurance") are as follows:

Statement of financial position of persons and funds accumulation operations

	2018	2017
ASSETS	**AED'000**	AED'000
Non-current assets		
Statutory deposits	**4,000**	4,000
Current assets		
Insurance receivables	**1,927**	2,220
Other receivables	**144**	135
Due from related parties	**389**	5
Reinsurance contract assets	**3,159**	3,042
Cash and cash equivalents	**1,285**	710
	6,904	6,112
TOTAL ASSETS	**10,904**	10,112
EQUITY AND LIABILITIES		
EQUITY		
Retained earnings	**3,740**	3,571
Net funds transferred from/(to) General Insurance	**2,106**	1,920
TOTAL EQUITY	**5,846**	5,491
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	**39**	22
Current liabilities		
Insurance contract liabilities	**4,173**	4,113
Insurance payables	**838**	447
Other payables	**8**	39
Due to related parties	**-**	-
	5,019	4,599
TOTAL LIABILITIES	**5,058**	4,621
TOTAL EQUITY AND LIABILITIES	**10,904**	10,112

30 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Income statement of persons and funds accumulation operations

	2018 AED'000	2017 AED'000
Gross premiums	3,924	4,192
Reinsurance share of premiums	(2,416)	(2,625)
Net premiums	1,508	1,567
Net transfer to unearned premium reserve	28	4
Net premiums earned	1,536	1,571
Commission earned	35	2
Commission paid	(548)	(439)
Others	108	-
Gross underwriting income	1,131	1,134
Gross claims paid	1,680	1,812
Reinsurance share	(1,392)	(1,479)
Net claims paid	288	333
Provision for outstanding claims and technical provisions	145	58
Reinsurance share of outstanding claims and technical provisions	(147)	(52)
Net claims incurred	286	339
Net underwriting income	845	795
Income from investments – net	-	-
Income from investment property – net	-	-
Other income	-	-
Gross income	845	795
General and administrative expenses	(676)	(650)
Net profit for the year	169	145

30 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Statement of financial position of property and liability insurance

	2018	2017
ASSETS	**AED'000**	AED'000
Non-current assets		
Statutory deposits	**6,000**	6,000
Property and equipment	**487**	639
Investment property	**75,899**	77,746
	82,386	84,385
Current assets		
Financial assets at fair value through other comprehensive income	**439,853**	387,553
Insurance receivables	**76,824**	56,187
Other receivables	**27,713**	21,154
Due from related parties	**17,426**	13,353
Reinsurance contract assets	**187,729**	171,035
Cash and cash equivalents	**141,259**	140,133
	890,804	789,415
TOTAL ASSETS	973,190	873,800
EQUITY AND LIABILITIES		
EQUITY		
Share capital	**115,500**	115,500
Legal reserve	**57,750**	57,750
Obligatory reserve	**28,875**	28,875
General reserve	**180,000**	180,000
Fair value reserve on financial assets at fair value through other comprehensive income	**95,110**	66,282
Net funds transferred to Life Insurance	**(2,106)**	(1,920)
Retained earnings	**60,070**	47,494
TOTAL EQUITY	**535,199**	493,981
LIABILITIES		
Non-current liabilities		
Employees' end of service benefits	**5,458**	4,342
Current liabilities		
Insurance contract liabilities	**288,831**	258,277
Insurance payables	**93,313**	66,073
Other payables	**42,866**	37,960
Due to related parties	**7,523**	13,167
	432,533	375,477
TOTAL LIABILITIES	**437,991**	379,819
TOTAL EQUITY AND LIABILITIES	**973,190**	873,800

30 Risk management objectives and policies for mitigating insurance risk (continued)

Risk based regulatory reporting (continued)

Income statement of property and liability insurance

	2018 AED'000	2017 AED'000
Gross premiums	347,094	319,269
Reinsurance share of premiums	(225,289)	(203,659)
Net premiums	121,805	115,610
Net transfer to unearned premium reserve	(482)	(7,892)
Net premiums earned	121,323	107,718
Commission earned	23,154	22,383
Commission paid	(40,711)	(33,436)
Others	4,222	2,630
Gross underwriting income	107,988	99,295
Gross claims paid	187,555	172,102
Reinsurance share	(145,363)	(118,485)
Net claims paid	42,192	53,617
Provision for outstanding claims and technical provisions	22,298	23,352
Reinsurance share of outstanding claims and technical provisions	(8,947)	(21,358)
Net claims incurred	55,543	55,611
Net underwriting income	52,445	43,684
Income from investments – net	22,731	20,681
Income from investment property – net	7,431	8,994
Other income	10	34
Gross income	82,617	73,393
General and administrative expenses	(30,125)	(23,514)
Net profit for the year	52,492	49,922

31 Financial risk management objectives and policies

The financial assets of the Company include statutory deposits, cash at bank and in hand, other receivables, due from related parties and investments. Financial liabilities include due to related parties and most other payables. Accounting policies for each class of financial assets and liabilities are set out in note 3.

Category-wise assets and liabilities

Year - 2018

	Financial instruments			
Assets	**At amortised cost AED'000**	**FVTOCI AED'000**	**Insurance contracts AED'000**	**Total AED'000**
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	190,888	190,888
Cash and cash equivalents	142,544	-	-	142,544
Financial assets at FVTOCI	-	439,853	-	439,853
Insurance receivables	-	-	78,751	78,751
Other receivables	5,395	-	-	5,395
Due from related parties	17,815	-	-	17,815
	175,754	439,853	269,639	885,246

Year – 2017

	Financial instruments			
Assets	At amortised cost AED'000	FVTOCI AED'000	Insurance contracts AED'000	Total AED'000
Statutory deposits	10,000	-	-	10,000
Reinsurance contract assets	-	-	174,077	174,077
Cash and cash equivalents	140,843	-	-	140,843
Financial assets at FVTOCI	-	387,553	-	387,553
Insurance receivables	-	-	58,407	58,407
Other receivables	1,003	-	-	1,003
Due from related parties	13,358	-	-	13,358
	165,204	387,553	232,484	785,241

31 Financial risk management objectives and policies (continued)

Category-wise assets and liabilities (continued)

Year - 2018

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	293,004	293,004
Insurance and other payables	32,242	94,151	126,393
Due to related parties	7,523	-	7,523
	39,765	387,155	426,920

Year – 2017

Liabilities	At amortised cost AED'000	Insurance contracts AED'000	Total AED'000
Insurance contract liabilities	-	262,390	262,390
Insurance and other payables	25,793	66,520	92,313
Due to related parties	13,167	-	13,167
	38,960	328,910	367,870

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk, foreign exchange risk and market risk. The Board reviewed and agreed policies for management of these risks summarised below:

Credit risk

Credit risk is the risk that one party to a contract underlying a financial instrument will fail to discharge its obligations causing the other party to incur a financial loss.

All of the Company's underwriting activities are carried out in the United Arab Emirates. Cash is placed with a group of banks with good credit ratings. Credit risk on account receivables is spread, as they are due from a large number of customers. Credit risk with respect to 'due from insurers' and due from brokers is diversified due to the dispersion of amounts recoverable over a large number of insurers and brokers, however these are monitored closely by the management.

Credit risk with respect to reinsurers is mitigated by placement only with those companies having an acceptable rating.

Credit risk is limited to the carrying values of financial assets in the statement of financial position.

31 Financial risk management objectives and policies (continued)

Credit risk (continued)

The following table provides an age analysis of receivables arising from insurance.

	Neither past due nor impaired AED'000	Past due <120 days AED'000	120 -180 days AED'000	>180 days AED'000	Total AED'000	Past due and impaired AED'000	Total AED'000
31 December 2018	27,757	32,016	8,589	13,494	81,856	(3,105)	78,751
31 December 2017	21,394	26,214	6,705	6,838	61,151	(2,744)	58,407

The Company believes that overdue debtors are not impaired except those already provided for.

Liquidity risk

Liquidity risk is the risk that the Company faces in meeting its present and future financial obligations in a timely manner. Solvency risk refers to the excess of liabilities over assets, and hence, to the adequacy of the Company's capital. The Company is required to maintain an adequate level of liquidity by the regulatory requirements currently in force in the UAE.

Liquidity requirements are monitored by the management to ensure sufficient funds are available to meet commitments as they arise. The table below summarises the maturity of various assets and liabilities:

Year -2018

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets at FVTOCI	-	-	-	439,853	439,853
Insurance receivables	14,151	33,432	19,786	11,382	78,751
Other receivables	55	4,978	185	177	5,395
Due from related parties	2,354	6,023	7,231	2,207	17,815
Cash in hand and at banks including deposits:					
- Interest bearing	14,422	57,253	46,832	24,025	142,532
- Non-interest bearing	12	-	-	-	12
Reinsurance contract assets (a)	-	-	-	-	190,888
	30,994	101,686	74,034	487,644	885,246

31 Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Liabilities					
Insurance and other payables	18,491	46,960	35,749	25,193	126,393
Due to related parties	1,235	4,027	1,408	853	7,523
Insurance contract liabilities (a)	-	-	-	-	293,004
	19,726	50,987	37,157	26,046	426,920

Year -2017

	Less than 30 days AED'000	30-90 days AED'000	90-180 days AED'000	After 180 days AED'000	Total AED'000
Assets					
Statutory deposits	-	-	-	10,000	10,000
Financial assets	-	-	-	387,553	387,553
Insurance receivables	13,132	29,836	7,753	7,686	58,407
Other receivables	79	322	299	303	1,003
Due from related parties	2,190	4,131	6,133	904	13,358
Cash in hand and at banks including deposits:					
- Interest bearing	13,321	56,356	46,832	24,322	140,831
- Non-interest bearing	12	-	-	-	12
Reinsurance contract assets (a)	-	-	-	-	174,077
	28,734	90,645	61,017	430,768	785,241
Liabilities					
Insurance and other payables	13,121	43,114	20,182	15,896	92,313
Due to related parties	2,151	6,972	2,453	1,591	13,167
Insurance contract liabilities (a)	-	-	-	-	262,390
	15,272	50,086	22,635	17,487	367,870

(a) The maturities of insurance contract liabilities and the corresponding re-insurance contract assets are contingent upon the final settlement of claims, therefore cannot be reliably allocated to any particular maturity slab.

31 Financial risk management objectives and policies (continued)

Interest rate risk

The interest risk is the risk that the value of future cash flows of financial instruments will fluctuate because of changes in market interest rates. The Company has interest bearing deposits in commercial banks having effective interest rate 1.95%-3.50% (2017: 1.25%-2.25%) per annum. The interest rate is floating in nature. However, the Company does not foresee any material impacts due to interest rate fluctuations in the foreseeable future as the total amount of interest income was not material and there were no significant movements noted during the year in the interest rates.

Exchange risk

A major portion of the Company's liabilities and assets are denominated in AED or US Dollars. Since AED is effectively pegged to US Dollars, there is minimal exchange risk. Moreover, the Beirut branch has been shut down during the year and its assets and liabilities are not considered to be significant to the Company's assets and liabilities hence there is no significant exposure.

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 is exposed to market risk with respect to its investments in quoted and unquoted shares.

The Company limits market risks by maintaining a diversified portfolio and by continuous monitoring of developments in stock markets. In addition, the Company actively monitors the key factors that affect stock movements, including analysis of the operational and financial performance of investee.

All the Company's investments are within the United Arab Emirates.

Sensitivity of equity prices

The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Company does not actively trade these investments.

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

Given that all other variables remain constant, had equity prices been 10% higher/lower at the reporting date:

- net profit for the year ended 31 December 2018 would have been unaffected as the equity investments are classified as Fair Value Through Other Comprehensive Income (FVTOCI);

- fair value reserve on financial assets of FVTOCI within equity would have increased/decreased by AED 43.99 million (2017: increase/decrease by AED 38.76 million).

32 Capital management

The Company's objective when managing capital risks are:

1) To comply with the Insurance Capital Requirements required by the UAE Federal Law No. 6 of 2007 on Establishment of the Insurance Authority and Organisation of the Insurance Operations concerning Insurance Companies and Agents. The minimum regulatory capital for Insurance Companies which must be maintained at all times throughout the year as per the Law is AED 100,000,000 (2017: AED 100,000,000).

2) To safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns to the shareholders.

3) To provide an adequate rate of return to shareholders by pricing products and services commensurate with the level of risk.

The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders or issue new shares.

There were no changes made in the objectives, policies or processes during the years ended 31 December 2018 and 31 December 2017.

The table below summarises the minimum regulatory capital of the Company and the actual equity held by the Company at the end of the year:

	2018	2017
	AED'000	AED'000
Cash and cash equivalents	**142,544**	140,843
Total equity held	**541,045**	499,472
	=======	=======
Minimum regulatory capital	**100,000**	100,000
	=======	=======

33 Comparatives

Comparative figures have been reclassified in order to conform to current period's presentation and improve the quality of information presented. However, there is no effect on previously reported total assets, total equity, total liabilities and profit for the year.

34 Post-reporting date events

Except for the proposed cash dividend of 75% of paid up capital for the year ended 31 December 2018 (note 26), there are no adjusting or significant non-adjusting events which have occurred between the reporting date and the date of authorisation of these financial statements.