Al-Sagr National Insurance Company
(Public Shareholding Company)

Financial statements
for the year ended 31 December 2018

Al-Sagr National Insurance Company (Public Shareholding Company)

Financial statements

for the year ended 31 December 2018

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AL SAGR INSURANCE

شركة مساهمة عامة خاضعة لأحكام القانون رقم (٦) لسنة ٢٠٠٧ في شأن إنشاء هيئة التامين وتنظيم أعماله ومقيدة في سجل شركات التأمين تحت رقم (١٦) وسجل الشركات التجارية تحت رقم (٤١٣٧٠) مركزها الرئيسي دبي رأس المال المدفوع بالكامل ٢٣٠ مليون درهم

شركة الصقر الوطنية للتأمين - المنطقة الدبلوماسية، شارع السيف، بردبي، هاتف: ٠٤-٧٠٢٨٥٠٠، فاكس: ٠٤-٣٩٦٨٤٤٢، ص.ب: ١٤٦١٤، دبي، ا.ع.م.
Al Sagr National Insurance Company - Diplomatic Area, Al Seef Road, Bur Dubai, Tel: 04-7028500, Fax: 04-3968442. PO Box 14614, Dubai, UAE

Al-Sagr National Insurance Company (Public Shareholding Company)

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements of Al-Sagr National Insurance Company (Public Shareholding Company); for the year ended 31 December 2018.

Financial Highlights

The company has reported a premium of AED 355.7 million for year ended 31 December 2018 compared to AED 396.3 million for the corresponding prior year, The company has reported an underwriting profit of AED 75.8 million for the year ended 31 December 2018 compared to AED 80.5 million for the corresponding prior year. the company reported for the year ended 2018 a net profit of AED 21.7 million compared to a net profit of AED 20.1 million in 2017(The financial results for the year ended 31 December 2018 represents Al Sagr Insurance's UAE operations as compared to the financial results for the year ended 31 December 2017 which is consolidated with its subsidiary) .

Directors:-

Mr. Majid Abdulla Al Sari	Chairman
Mr. Khalid Abdulla Omran Tariam	Vice Chairman
Mr. Amjad Mohd Yusri Al Dweik	Director
Mr. Mohamed Ali Al Sari	Director
Mr. Moh'd Sami Shakhshir	Director & CEO

Auditors:-

KPMG were appointed as auditors of the Al Sagr National Insurance Company for the year 2018 at the Annual General Meeting held on 17April 2018.

For and on behalf of the board

Moh'd Sami Shakhshir
Director & CEO
27 March 2019

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KPMG

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Independent Auditors' Report

To the Shareholders of Al-Sagr National Insurance Company (Public Shareholding Company)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al-Sagr National Insurance Company (Public Shareholding Company) ("the Company"), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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 Accountants Code of Ethics for Professional Accountants (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 our audit of the financial statements of the current period. 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.

1. *Valuation of insurance contract liabilities*

Refer to notes 5 and 12 of the financial statements.

Valuation of these liabilities involves significant judgement, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred, but have not yet been reported ("IBNR") to the Company. IBNR is calculated by an independent qualified external actuary for the Company.

Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to a material impact on the valuation of these liabilities and a corresponding effect on profit or loss. The key assumptions that drive the reserve calculations include loss ratios, estimates of the frequency and severity of claims and, where appropriate, the discount rates for longer tail classes of business.

The valuation of these liabilities depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of these liabilities may arise.

Our response: Our audit procedures supported by our actuarial specialists included:

- evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amount recorded in the financial statements is valued appropriately;

- obtaining an understanding of and assessing the methodology and key assumptions applied by the management. Independently re-projecting the reserve balances for certain classes of business;

Key Audit Matters (continued)

1. Valuation of insurance contract liabilities *(continued)*

- assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process;
- checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and
- assessing the Company's disclosure in relation to these liabilities, including claims development table, is appropriate.

2. Recoverability of Insurance receivables

Refer to notes 5 and 13 of the financial statements.

As at 31st December 2018 the Company has significant balances of insurance receivables.

IFRS 9 "Financial Instruments" (IFRS 9) was adopted by the Company on 1 January 2018 and has resulted in change in accounting for impairment from an incurred loss model to a forward looking expected credit loss ("ECL") model. The determination of expected loss involves significant estimates and judgement.

Given the inherently judgemental nature of determining ECL and this being the first year of its application, this is considered as a key audit matter.

Our response:

- Obtained an understanding of the Company's process for estimating ECL and assessed the appropriateness of the ECL methodology and the new accounting policy against the requirements of IFRS 9;
- Identified and tested key controls over the ECL model;
- Assessed the reasonableness of management's key assumptions and judgments made in determining the ECL allowances including the selection of ECL model, 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; and

Key Audit Matters (continued)

2. *Recoverability of Insurance receivables* *(continued)*

- We tested the opening balance adjustment due to application of impairment requirements of IFRS 9 and assessed the adequacy of the credit risk disclosure.

3. *Valuation of investment properties*

Refer to notes 5 and 11 of the financial statements.

The valuation of investment properties is determined through the application of valuation techniques which often involve the exercise of judgement and the use of assumptions and estimates.

Due to the significance of investment properties and the related estimation uncertainty, this is considered a key audit matter.

Investment properties are held at fair value through profit or loss in the Company's statement of financial position and qualify under Level 3 of the fair value hierarchy as at 31 December 2018.

Our response:

- We assessed the competence, independence and integrity of the external valuers and 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 obtained the external valuation reports for the property and confirmed that the valuation approach is in accordance with RICS' standards and is suitable for use in determining the fair value in the statement of financial position;

- We carried out procedures to test whether property specific standing data supplied to the external valuers by management is appropriate and reliable; and

- Based on the outcome of our evaluation, we determined the adequacy of the disclosure in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors report as set out on page 1.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report the 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 IFRS and their preparation in compliance with the applicable provisions of the UAE Federal Law No. (2) of 2015 and UAE Federal Law No. 6 of 2007, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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.

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

- 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 period 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) 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 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;

Report on Other Legal and Regulatory Requirements *(continued)*

v) as disclosed in note 10 to the financial statements, the Company has not purchased any shares during the year ended 31 December 2018;

vi) note 25 to the financial statements discloses 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 2018 any of the applicable provisions of the UAE Federal Law No. (2) of 2015 or its Articles of Association, which would materially affect its activities or its financial position as at 31 December 2018; and

viii) note 22 to the financial statements discloses the social contributions made during the year.

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

KPMG Lower Gulf Limited

Emilio Pera
Registration No.: 1146
Dubai, United Arab Emirates
Date: 27 MAR 2019

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of financial position

as at

	Note	31 December 2018 AED	31 December 2017 AED
ASSETS			
Property and equipment	*8*	5,929,106	6,575,115
Investment in associates	*9*	163,892,043	165,746,393
Investment in financial assets at FVTPL	*10*	39,627,729	53,500,127
Investment properties	*11*	180,748,509	172,602,503
Insurance receivables	*13*	131,302,311	134,066,817
Reinsurer share of outstanding claims	*12*	46,570,210	143,394,000
Reinsurer share of incurred but not reported claims (IBNR)	*12*	15,561,000	15,836,000
Reinsurer share of unearned premium reserve	*12*	52,896,000	54,266,000
Due from related parties	*25*	98,907,512	104,074,814
Other receivables and prepayments	*14*	21,275,895	18,133,200
Security deposits		595,994	667,775
Cash and bank balances	*15*	213,704,881	239,248,629
Asset held for sale		-	1,693,322
Total assets		971,011,190	1,109,804,695
EQUITY AND LIABILITIES			
Equity			
Share capital	*16*	230,000,000	230,000,000
Statutory reserve	*17*	69,430,174	67,257,868
General reserve	*18*	100,000,000	100,000,000
Retained earning		53,321,364	57,863,417
Total equity		452,751,538	455,121,285
Liabilities			
Due to related parties	*25*	78,590	91,800
Provision for employees' end of service indemnity	*19*	14,482,188	14,294,533
Bank borrowings	*20*	108,069,434	125,421,763
Insurance and other payables	*21*	100,353,285	134,744,334
Outstanding claims reserve	*12*	70,440,155	164,309,980
Incurred but not reported claims (IBNR) reserve	*12*	49,443,000	43,326,000
Unearned premium reserve	*12*	172,409,000	168,520,000
Unexpired risk reserve	*12*	630,000	1,133,000
Unallocated loss adjustment expense reserve	*12*	2,354,000	2,842,000
Total liabilities		518,259,652	654,683,410
Total equity and liabilities		971,011,190	1,109,804,695

The notes from 1 to 30 form an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 27 MAR 2019 and signed on their behalf by:

Director and CEO

The independent auditors' report is set out on pages 2 - 9.

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of profit or loss

for the year ended 31 December 2018

	Note	2018 AED	2017 AED *Consolidated*
UNDERWRITING RESULTS			
Underwriting income			
Gross insurance premium		**355,672,793**	396,286,918
Less: reinsurance share of gross premium		**(135,487,095)**	(155,461,362)
Less: reinsurance share of ceded business premium		**(2,108,611)**	(2,199,355)
Net retained premium		**218,077,087**	238,626,201
Net change in unearned premium reserve		**(5,259,000)**	(9,400,840)
Net insurance premium		**212,818,087**	229,225,361
Commission earned		**60,051,300**	84,222,804
Commission incurred		**(30,592,423)**	(32,383,913)
Underwriting income		**242,276,964**	281,064,252
Gross claims paid		**(294,980,930)**	(340,373,059)
Insurance claims recovered from reinsurers		**136,830,716**	127,653,656
Net claims paid		**(158,150,214)**	(212,719,403)
Decrease in provision for outstanding claims		**93,869,825**	10,427,382
Decrease in reinsurer share of outstanding claims		**(96,823,790)**	3,688,607
Decrease / (increase) in unexpired risk reserve		**503,000**	(224,000)
Increase in incurred but not reported claims (IBNR) reserve		**(6,392,000)**	(2,152,364)
Decrease in unallocated loss adjustment expense reserve		**488,000**	408,000
Net claims incurred		**(166,505,179)**	(200,571,778)
Underwriting profit		**75,771,785**	80,492,474
Net investments loss	*22*	**(17,339,556)**	(12,406,901)
Loss on disposal of subsidiary		**-**	(1,714,086)
Share of profits from equity accounted investees	*9.2*	**1,820,650**	1,965,050
Reversal / (charge) of expected credit loss / provision against insurance receivables	*13.1*	**3,549,194**	(261,000)
Provision for expected credit losses / doubtful debts on due from related parties	*25.1*	**(6,352,500)**	(6,352,500)
General and administrative expenses		**(35,726,510)**	(41,599,310)
Profit for the year		**21,723,063**	20,123,727
Attributable to:			
Shareholders of the Company		**21,723,063**	20,369,302
Non-controlling interest		**-**	(245,575)
		21,723,063	20,123,727
Earnings per share	*24*	**0.09**	0.09

The notes from 1 to 30 form an integral part of these financial statements.

The independent auditors' report is set out on pages 2 - 9.

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	2018	2017
	AED	AED
		Consolidated
Profit for the year	**21,723,063**	20,123,727
Other comprehensive income		
Items that will not be reclassified to profit or loss:	-	-
Other comprehensive income for the year	-	-
Total comprehensive income for the year	**21,723,063**	20,123,727
Attributable to:		
Shareholders of the Company	**21,723,063**	20,369,302
Non-controlling interest	-	(245,575)
	21,723,063	20,123,727

The notes from 1 to 30 form an integral part of these financial statements.

The independent auditors' report is set out on pages 2 - 9.

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of changes in equity

for the year ended 31 December 2018

	Attributable to the equity holders of the Company							
	Share capital AED	Statutory reserve AED	General reserve AED	Investments revaluation reserve AED	Accumulated loss / retained earning AED	Total AED	Non-controlling interest AED	Total equity AED
Balance at 1 January 2017	230,000,000	65,220,938	200,000,000	(1,379,079)	(46,589,876)	447,251,983	570,543	447,822,526
Total comprehensive income for the year								
Profit / (loss) for the year	-	-	-	-	20,369,302	20,369,302	(245,575)	20,123,727
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	-	-	-	20,369,302	20,369,302	(245,575)	20,123,727
Deconsolidation effect of subsidiary	-	-	-	1,379,079	(1,379,079)	-	(324,968)	(324,968)
Transactions with owners directly recorded in equity								
Transfer from general reserve (note 18)	-	-	(100,000,000)	-	100,000,000	-	-	-
Transfer to statutory reserve	-	2,036,930	-	-	(2,036,930)	-	-	-
Dividend paid (refer note 29)	-	-	-	-	(11,500,000)	(11,500,000)	-	(11,500,000)
Directors' fee paid during the year	-	-	-	-	(1,000,000)	(1,000,000)	-	(1,000,000)
Balance at 31 December 2017	230,000,000	67,257,868	100,000,000	-	57,863,417	455,121,285	-	455,121,285

The notes from 1 to 30 form an integral part of these financial statements.

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of changes in equity

for the year ended 31 December 2018

	Share capital AED	Statutory reserve AED	General reserve AED	Retained earnings AED	Total equity AED
Balance at 1 January 2018	230,000,000	67,257,868	100,000,000	57,863,417	455,121,285
Impact of adopting IFRS 9 (refer note 3)	-	-	-	(10,592,810)	(10,592,810)
	230,000,000	67,257,868	100,000,000	47,270,607	444,528,475
Total comprehensive income for the year					
Profit for the year	-	-	-	21,723,063	21,723,063
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	21,723,063	21,723,063
Transactions with owners directly recorded in equity					
Transfer to statutory reserve	-	2,172,306	-	(2,172,306)	-
Dividend paid (refer note 29)	-	-	-	(11,500,000)	(11,500,000)
Directors' fee paid during the year	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2018	**230,000,000**	**69,430,174**	**100,000,000**	**53,321,364**	**452,751,538**

The notes from 1 to 30 form an integral part of these financial statements.

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of cash flows

for the year ended 31 December 2018

		2018	2017
		AED	AED
			Consolidated
Cash flows from operating activities			
Profit for the year		**21,723,063**	20,123,727
Adjustment for:			
Depreciation		**1,469,824**	1,570,140
Net unrealised loss from investments in financial assets at FVTPL	*10.1*	**3,375,364**	634,173
Net (gain) / loss on sale of investment in securities	*22*	**(769,166)**	190,404
Decrease in the fair value of investment properties	*22*	**3,549,194**	-
Interest income	*22*	**(6,390,168)**	(7,859,928)
Dividend income	*22*	**(1,670,455)**	(1,480,759)
Loss on disposal of subsidiary		**-**	1,714,086
Share of profit from equity accounted investees	*9.2*	**(1,820,650)**	(1,965,050)
Provision for employees' end of service indemnity	*19*	**1,103,520**	1,258,173
Reversal / (charge) of expected credit loss / provision against insurance receivables	*13.1*	**(3,549,194)**	261,000
Provision for expected credit losss / doubtful debts on due from related parties	*25.1*	**6,352,500**	6,352,500
Finance costs	*22*	**4,746,843**	6,319,714
Operating cash flows before movements in working capital		**28,120,675**	27,118,180
Change in insurance receivables		**(3,880,400)**	(15,058,107)
Change in reinsurer share of outstanding claims		**96,823,790**	(3,688,607)
Change in reinsurer share of incurred but not reported claims (IBNR)		**275,000**	(6,015,000)
Change in reinsurer share of unearned premium reserve		**1,370,000**	(7,506,021)
Change in due from related parties		**(1,185,198)**	(5,755,376)
Change in other receivables and prepayments		**(3,481,001)**	2,767,756
Change in security deposits		**45,358**	(428,100)
Change in due to related parties		**(13,210)**	(12,952)
Change in insurance and other payables		**(34,391,049)**	(9,787,124)
Change in outstanding claims reserve		**(93,869,825)**	(10,427,382)
Change in incurred but not reported claims (IBNR) reserve		**6,117,000**	8,167,364
Change in unearned premium reserve		**3,889,000**	16,906,861
Change in unexpired risk reserve		**(503,000)**	224,000
Change in unallocated loss adjustment expense reserve		**(488,000)**	(408,000)
Net cash used in operating activities		**(1,170,860)**	(3,902,508)
Interest paid	*22*	**(4,746,843)**	(6,319,714)
Employees' end of service indemnity paid	*19*	**(915,865)**	(1,292,166)
Net cash used in operations		**(6,833,568)**	(11,514,388)
Cash flows from investing activities			
Purchase of property and equipment	*8*	**(823,815)**	(1,092,802)
Acquisition of investment properties	*11*	**(11,695,200)**	(2,602,503)
Net proceeds from sale of investment in financial assets at FVTPL		**11,266,200**	7,144,027
Proceed from disposal of subsidiary		**-**	2,848,074
Net proceeds from asset held for sale		**1,693,322**	-
Dividend received from equity accounted investees	*9.2*	**3,675,000**	9,800,000
Dividends received	*22*	**1,670,455**	1,480,759
Interest received	*22*	**6,390,168**	7,859,928
Movement in cash and bank borrowings on disposal of subsidiary		**-**	(9,955,620)
Net cash generated from investing activities		**12,176,130**	15,481,863

Al-Sagr National Insurance Company (Public Shareholding Company)

Statement of cash flows *(continued)*

for the year ended 31 December 2018

		2018	2017
		AED	AED
			Consolidated
Cash flows from financing activities			
Dividend paid	*29*	**(11,500,000)**	(11,500,000)
Payment of directors' fees		**(2,000,000)**	(1,000,000)
Net cash used in financing activities		**(13,500,000)**	(12,500,000)
Net decrease in cash and cash equivalents		**(8,157,438)**	(8,532,525)
Cash and cash equivalents at 1 January		**113,792,885**	122,359,391
Cash and cash equivalents at 31 December (note 15)		**105,635,447**	113,826,866

The notes from 1 to 30 form an integral part of these financial statements.

The independent auditors' report is set out on pages 2 - 9.

1 Legal status and activities

Al-Sagr National Insurance Company (Public Share holding Company), (the "Company") was incorporated on 25 December 1979 as a public shareholding company by an Emiri Decree from His Highness, The Ruler of Dubai, and is registered with the Ministry of Economy of the United Arab Emirates under registration No. (16). The Company's address in Dubai is P.O. Box 14614, Dubai, U.A.E. The Company is a subsidiary of Gulf General Investments Company (the "Parent Company"), a public company incorporated in U.A.E.

The principal activity of the Company is the writing of insurance of all types. The Company operates through its Head Office in Dubai and its branches in Dubai, Sharjah, Abu Dhabi, Al Ain, Ras Al Khaimah and Ajman in the U.A.E.

During prior year, the Board of Directors of the Company approved a plan to dispose off the Company’s entire equity interest in Jordan Emirates Insurance Company PSC (a former subsidiary in Jordan). The Company lost control over its former subsidiary pursuant to a sale of 60% of the equity shares in the former subsidiary held by the Company in December 2017. During the year, the Company sold the remaining 34.1% of the equity shares which was classified as asset held for sale as at 31 December 2017.

2 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable provisions of UAE Federal Law No. 2 of 2015 and UAE Federal Law No. 6 of 2007.

b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for the following which are measured at fair value.

i) financial instruments at fair value through profit and loss ("FVTPL");
ii) financial instruments at fair value through other comprehensive income ("FVTOCI"); and
iii) investment properties.

The methods used to measure fair values are discussed in note 3(h).

c) Functional and presentation currency

These financial statements are presented in UAE Dirham (AED), which is the functional currency. Except as otherwise indicated, financial information is presented in AED.

d) Use of estimates and judgements

The preparation of these financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in the future periods effected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 5.

2 Basis of preparation *(continued)*

e) Changes in accounting policy

The Company has adopted the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2018.

• IFRS 15 *(Revenue from Contracts with Customers)*
• IFRS 9 *(Financial Instruments)*

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

Revenue arising from insurance contracts and from financial instruments is outside the scope of IFRS 15. The impact on the recognition of revenue from other services delivered to customers by the Company is insignificant.

IFRS 9 Financial Instruments

The final version of IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Company had already early adopted the requirements for the classification and measurement of the financial instruments in the year 2014. The Company has assessed the changes between the version of IFRS 9 issued in July 2014 and the earlier version adopted and assessed that there are no significant changes on account of changes in classification requirements. As such there is no impact on opening equity as at 1 January 2018 on account of changes in classification requirements of IFRS9. The change in accounting policy upon adoption of the impairment requirements of IFRS 9 are provided in note 3 (f).

The adoption of July 2014 version of IFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

3 Summary of significant accounting policies

a) Insurance contracts

i) Classification

The Company issues contracts that transfer either insurance risk or both insurance and financial risks.

Contracts under which the Company accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts. Insurance risk is significant if an insured event could cause the Company to pay significant additional benefits as a result of an insured event occurring.

Insurance contracts may also transfer some 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 prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Contracts where insurance risk is not significant are classified as investment contracts.

Once a contract is classified as an insurance contract it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

3 Summary of significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

ii) Recognition and measurement

Premiums

Gross premiums written reflect business incepted during the year, and exclude any fees and other amounts collected with and calculated based on premiums. These are recognised when underwriting process is complete and policies are issued.

The earned proportion of premiums is recognised as income. Premiums are earned from the date of attachment of risk over the indemnity period and unearned premium is calculated using the basis described below:

Unearned premium reserve (UPR)

The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date. UPR are calculated using the 1/365 method except for marine cargo and engineering. The UPR for marine cargo is recognised as fixed proportion of the written premiums as required in the financial regulation and UPR for engineering assumes a linear increase in risk with the duration of the project such that the risk faced is 100% at the expiry of the contract. The rate at which the premium is earned is deemed to increase at the same rate at which the risk faced increases over the lifetime of the policy.

iii) Claims

Claims incurred comprise the settlement and the internal and external handling costs paid and changes in the provisions for outstanding claims arising from events occurring during the financial period. Where applicable, deductions are made for salvage and their recoveries.

Claims outstanding comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expense reduced by expected salvage and other recoveries. Claims outstanding are assessed by reviewing individual reported claims. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior periods are reflected in the financial statements of the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provision is also made for any claims incurred but not reported ("IBNR") at the date of statement of financial position using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation as required by the new regulations. The basis of estimating outstanding claims and IBNR are detailed in note 5.

iv) Provision for premium deficiency / liability adequacy test

Provision is made for premium deficiency arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the reporting date exceeds the unearned premiums provision and already recorded claim liabilities in relation to such policies. The provision for premium deficiency is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and claims provisions.

v) Reinsurance

The Company cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

3 Summary of significant accounting policies *(continued)*

a) Insurance contracts *(continued)*

v) Reinsurance (continued)

Amounts due to and from reinsurers are accounted for in a manner consistent with the related insurance policies and in accordance with the relevant reinsurance contracts. Reinsurance premiums are deferred and expensed using the same basis as used to calculate unearned premium reserves for related insurance policies. The deferred portion of ceded reinsurance premiums is included in reinsurance assets.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is 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 event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of profit or loss in the period in which they are incurred.

Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

vi) Deferred acquisition cost

For general insurance contracts, the deferred acquisition cost asset represents the portion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the reporting date. Commission income related to underwriting activities are recognised on a time proportion basis over the effective period of policy using the same basis as described for unexpired risk premium.

vii) Insurance receivables and payables

Amounts due from and to policyholders, agents and reinsurers are financial instruments and are included in insurance receivables and payables, and not in insurance contract provisions or reinsurance assets.

viii) Insurance contract provision and reinsurance assets

Insurance contract liabilities towards outstanding claims are made for all claims intimated to the Company and still unpaid at the statement of financial position date, in addition for claims incurred but not reported. The unearned premium considered in the insurance contract liabilities comprise the estimated proportion of the gross premiums written which relates to the periods of insurance subsequent to the statement of financial position date.

The reinsurers' portion towards the above outstanding claims, claims incurred but not reported and unearned premium is classified as reinsurance contract assets in the financial statements.

b) Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

i) Fee and commission income

Fee and commissions received or receivable which do not require the Company to render further service are recognised as revenue by the Company on the effective commencement or renewal dates of the related policies.

ii) Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains/losses on investment property and financial assets at fair value through profit or loss (FVTPL).

Income from financial assets comprises interest and dividend income, net gains/losses on financial assets classified at FVTPL, and realised gains/losses on other financial assets.

3 Summary of significant accounting policies *(continued)*

b) Revenue (other than insurance revenue) *(continued)*

Interest income is recognised on a time proportion basis using effective interest rate method. Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities. Basis of recognition of net gains/losses on financial assets classified at FVTPL and realised gains on other financial assets is described in note 3 (f).

Fair value gains/losses on investment property are included in the statement of profit or loss in the period these gains/losses are determined.

c) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

ii) Subsequent costs

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in statement of profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

Depreciation methods, useful lives and residual values are reassessed at the reporting date and adjusted if appropriate. No depreciation is charged on capital-work-in-progress.

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

Office fixture	4 years
Furniture and equipment	4 to 11 years
Motor vehicles	4 to 6 years

3 Summary of significant accounting policies *(continued)*

d) Capital work in progress

Capital work-in-progress consists of property being developed for sale on completion and is measured at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of the business, less cost of completion and selling expenses.

e) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in statement of profit or loss.

The Company determines fair value on the basis of valuation provided by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

f) Non-derivative financial assets and liabilities

The Company had adopted IFRS 9 (2009), Financial instruments in 2014 in advance of its effective date and chose 1 January 2014 as the date of initial application and adopted IFRS 9 (2014), as on 1 January 2018.

Recognition

The Company initially recognises insurance receivables and insurance payables on the date at which they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Company becomes party to the contractual provision of the instrument.

A financial assets or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value.

Classification

At inception a financial asset is classified as measured at amortised cost or fair value.

Financial assets measured at amortised cost

A financial asset qualifies for amortised cost measurement only if it meets both of the following two conditions :

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principle and interest on the principle amount outstanding.

If a financial asset does not meet both of these conditions, then it is measured at fair value.

3 Summary of significant accounting policies *(continued)*

f) Non-derivative financial assets and liabilities *(continued)*

Classification (continued)

Financial assets measured at amortised cost (continued)

The Company makes an assessment of a business model at portfolio level as this reflect the best way the business is managed and information is provided to the management.

In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Company considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;

- how management evaluates the performance of the portfolio;
- whether management's strategy focus on earning contractual interest revenue;
- the degree of frequency of any expected asset sales;
- the reason of any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

Financial assets measured at FVTPL

Financial assets held for trading are not held within a business model whose objective is to hold the asset in order to collect contractual cash flows.

The Company has designated certain financial assets at fair value through profit or loss because designation eliminates or significantly reduces an accounting mismatch, which would otherwise arise.

Financial assets measured at FVTOCI

At initial recognition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in certain equity instruments as at FVTOCI (fair value through other comprehensive income). Designation to FVTOCI is not permitted if the equity instrument is held for trading.

Dividend in these investments in equity instruments are recognised in the profit or loss when the Company's right to receive the dividends is established, unless the dividends clearly represents a recovery of part of the cost of the investment.

Gains and losses on such equity instruments are never reclassified to statement of profit or loss and no impairment is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition, except when the Company changes its business model for managing financial assets.

Loans and receivables

These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these are measured at amortised cost using the effective interest method.

Loans and receivables comprise mainly insurance receivables, due from related parties, deposits and other receivables.

3 Summary of significant accounting policies *(continued)*

f) Non-derivative financial assets and liabilities *(continued)*

Classification (continued)

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, balances with the banks and fixed deposits with original maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Equity securities

Ordinary shares of the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

Non-derivate financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

De-recognition of financial assets and financial liabilities

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risk and rewards of the ownership are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control over the transferred asset. Any interest in transferred financial assets that qualify for derecognition that is carried or retained by the Company is recognised as separate asset or liability in the statement of financial position. On derecognition of financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and consideration received (including any new asset obtained less any new liability assumed) is recognised in statement of profit or loss.

The Company enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the financial assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions in which the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, depending on whether the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the services.

The Company derecognises a financial liability when its contractual obligation are discharged or cancelled or expire.

3 Summary of significant accounting policies *(continued)*

g) Impairment

Policy applicable from 1 January 2018

IFRS 9 replaces the ‘incurred loss’ model in International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement with an ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under International Accounting standard (IAS) 39 *Financial Instruments: Recognition and Measurement* .

The financial assets at amortised cost consist of insurance receivables, deposits, other receivables, due from related parties and cash and cash equivalents.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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).

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments on which credit risk has not increased significantly since their initial recognition.

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

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 the reporting date. Lifetime ECLs are ECLs that result from all possible default events over the expected life of a financial instrument.

Impairment provision for trade receivables are recognised based on the simplified approach within IFRS 9 using the life time expected credit losses. During this process the probability of non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within general and administrative expenses in the condensed interim statement of profit or loss. On confirmation that the trade receivables will not be collectible, the gross carrying value of the asset is written off against the associated provision.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD)

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

The Company has adopted simplified approach in case of insurance and other receivables. In case of financial assets for which simplified approach is adopted lifetime expected credit loss is recognised.

3 Summary of significant accounting policies *(continued)*

g) Impairment *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Measurement of ECLs *(continued)*

The key inputs into the measurement of ECL are the term structure of the following variables:

- PD – The probability of default is an estimate of the likelihood of default over a given time horizon.
- EAD – The exposure at default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
- LGD – The loss given default 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 the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

These parameters are generally derived from internally developed statistical models and other historical data. They are adjusted to reflect forward-looking information.

Forward-looking information

The measurement of expected credit losses considers information about past events and current conditions as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information requires significant judgement.

Macroeconomic factors

In its models, the Company relies on a broad range of forward looking information as economic inputs, such as: GDP, GDP annual growth rate, unemployment rates, inflation rates, interest rates, etc. Various macroeconomic variables considered are Brent, CPI, Stock, Inflation and Loans to private sector.

The inputs and models used for calculating expected credit losses may not always capture all characteristics of the market at the date of the financial statements.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- *Financial assets measured at amortised cost:* as a deduction from the gross carrying amount of the assets.

Definition of default

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

In assessing whether a borrower is in default, the Company considers indicators that are:

- Qualitative – e.g. breaches of covenant
- Quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Company; and
- Based on data developed internally and obtained from external sources

3 Summary of significant accounting policies *(continued)*

g) Impairment *(continued)*

Policy applicable from 1 January 2018 *(continued)*

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If a debt security had low credit risk at the date of initial application of IFRS 9, then the Company has assumed that credit risk on the asset had not increased significantly since its initial recognition.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

The impact from the adoption of IFRS 9 (2014) as at 1 January 2018 has been to decrease retained earnings by AED 10.59 million.

	Retained earnings AED
Closing balance under IAS 39 (31 December 2017)	57,863,417
Impact on recognition of Expected Credit Losses	
Insurance receivables and due from related parties	(10,194,100)
Security Deposits	(26,423)
Other receivables	(338,306)
Cash and bank balances	(33,981)
Opening balance under IFRS 9 on date of initial application of 1 January 2018	**47,270,607**

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

Reconciliation of impairment allowances

	31 December 2017 AED	**Re-measurement AED**	**1 January 2018 AED**
Insurance receivables and due from related parties	17,179,696	10,194,100	27,373,796
Security Deposits	-	26,423	26,423
Other receivables	-	338,306	338,306
Cash and bank balances	-	33,981	33,981
	17,179,696	**10,592,810**	**27,772,506**

3 Summary of significant accounting policies *(continued)*

g) Impairment *(continued)*

Policy applicable before 1 January 2018

Impairment of non-derivative financial assets carried at amortised cost

The Company assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets carried at amortised cost are impaired. A financial asset or group of financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows relating to the asset that can be estimated reliably. The Company considers evidence of impairment at both a specific and collective level.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of an amount due to the Company on terms that the Company would not otherwise consider, indication that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse change in the payment status of borrowers or issuers, or economic conditions that correlate with defaults in the Company.

Impairment of loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

At each reporting date, the Company assesses on a case-by-case basis whether there is any objective evidence that a asset is impaired. Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off and/or any event resulting in a reduction in impairment loss, decreases the amount of the provision for loan impairment in the profit or loss.

Impairment losses are recognised in the profit or loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated profit or loss.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than investment property) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

3 Summary of significant accounting policies *(continued)*

g) Impairment *(continued)*

Policy applicable before 1 January 2018 *(continued)*

Impairment of non-financial assets (continued)

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in the profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3 Summary of significant accounting policies *(continued)*

i) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the spot exchange rates ruling at the date of statement of financial position. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to AED at the foreign exchange rates ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the statement of profit or loss. The assets and liabilities of foreign subsidiary and the equity of associates are translated at the rate of exchange ruling at the reporting date.

The statements of profit or loss of foreign subsidiary and the results of associates are translated at the average exchange rates for the year. The exchange differences on the retranslation are taken directly to the other comprehensive income.

j) Operating leases

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases for office premises equipments are recognised instatement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

k) Provision

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

l) Employee terminal benefits

Defined benefit plan

The Company provides for staff terminal benefits based on an estimation of the amount of future benefits that employees have earned in return for their service until their retirement. This calculation is performed on a projected unit credit method.

Defined contribution plan

The Company contributes to the pension scheme for nationals under the pension and social security law. This is a defined contribution pension plan and the Company's contribution are charged to the statement of profit or loss in the period in which they relate. In respect of this scheme, the Company has a legal and constructive obligation to pay the fund contribution as they fall due and no obligations exists to pay the future benefits.

m) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

3 Summary of significant accounting policies *(continued)*

n) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's CEO to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

o) Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when, the Company has a legally enforceable right to set off the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or of gains and losses arising from a group of similar transactions such as in the Company's trading activity.

p) Directors' remuneration

In accordance with the Ministry of Economy and Commerce Interpretation of Article 169 of Federal Law No. 2 of 2015 (as amended), directors' remuneration of the Company has been treated as an appropriation from equity and presented under statement of changes in equity.

q) New standards and interpretations not yet adopted

A number of new standards, amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however the Company has not early adopted the following new or amended standards in preparing these statements.

Accounting standards	**Description**	**Effeictive date**
IFRS 16	Leases	(effective 1 January 2019)
IFRS 17	Insurance Contracts	(effective 1 January 2022)

IFRS 16 *Leases*

The Company is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 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.

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of the premises. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

3 Summary of significant accounting policies *(continued)*

q) New standards and interpretations not yet adopted *(continued)*

IFRS 16 *Leases (continued)*

i. Leases in which the Company is a lessee (continued)

Previously, the Company recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

The Company is in the process of evaluating the potential impact of IFRS 16 on the financial statements.

ii. Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

IFRS 17 *Insurance Contracts*

IFRS 17 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.

IFRS 17 is effective for annual reporting periods beginning on or after 1 January 2022, with comparative figures required. Early application is permitted, provided that the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. Retrospective application is required. However, if full retrospective application for a group of insurance contracts is not practical, then the entity is required to choose either a modified retrospective approach or a fair value approach.

Management anticipates that IFRS 17 will be adopted in the Company's financial statements for the annual period beginning 1 January 2022. The application of IFRS 17 may have a significant impact on amounts reported and disclosures made in the Company's financial statements in respect of its takaful contracts. However, it is not practical to provide a reasonable estimate of the effects of the application of this standard until the Company performs a detailed review.

Other standards

- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Annual Improvements to IFRS Standards 2015–2017 Cycle – various standards.
- Amendments to References to Conceptual Framework in IFRS Standards.

4. Risk management

The Company issues contracts that transfer either insurance risk or both insurance and financial risks. The Company does not issue contracts that transfer only financial risks. This section summarises these risks and the way the Company manages them:

4. Risk management *(continued)*

i) Governance framework

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

ii) Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Audit Committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

iii) Capital management framework

The Company has an internal risk management framework for identifying risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on economic capital.

iv) Regulatory framework

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

The operations of the Company are also subject to regulatory requirements within the UAE. Such regulations not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions to minimise the risk of default and insolvency on the part of the insurance companies to meet unforeseen liabilities as these arise.

v) Asset liability management ("ALM")

Financial risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk and equity price risk. The Company manages these positions within an ALM framework that has been developed by management to achieve long-term investment returns in excess of its obligations under insurance and investment contracts.

The Company's ALM is also integrated with the management of the financial risks associated with the Company's other financial assets and liabilities not directly associated with insurance and investment liabilities.

The Company's ALM also forms an integral part of the insurance risk management policy, to ensure in each period sufficient cash flow is available to meet liabilities arising from insurance.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

a) Insurance risks

The Company accepts insurance risk through its written insurance contracts. The Company is exposed to uncertainty surrounding the timing, frequency and severity of claims under these contracts. The Company writes the following types of general insurance and life insurance contracts:

General insurance contracts	**Life insurance contracts**
· Liability insurance	· Group life insurance
· Property insurance	· Credit life insurance
· Motor insurance	
· Fire insurance	
· Medical insurance	
· Marine insurance	
· Engineering insurance	

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

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. The Company only issue short term insurance contracts in connection with property, motor, marine and casualty risks.

Two key elements of the Company's insurance risk management framework are its underwriting strategy and reinsurance strategy, as discussed below.

Underwriting strategy

The Company's underwriting strategy is to build balanced portfolios based on a large number of similar risks. This reduces the variability of the portfolios outcome.

The underwriting strategy is set out by the Company that establishes the classes of business to be written, the territories in which business is to be written and the industry sectors in which the Company is prepared to underwrite. This strategy is cascaded by the business units to individual underwriters through detailed underwriting authorities that set out the limits that any one underwriter can write by line size, class of business, territory and industry in order to ensure appropriate risk selection within the portfolio. All general insurance contracts except marine, are annual in nature and the underwriters have the right to refuse renewal or to change the terms and conditions of the contract at renewal.

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

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

Frequency and amounts of claims

The Company has developed their underwriting strategy to diversify the type of insurance risks accepted and within each of the categories to achieve sufficiently large populations of risk to reduce the variability of the expected outcome. The frequency and amounts of claims can be affected by several factors. The Company underwrite mainly property, motor, casualty, medical and marine risks. These are regarded as short-term insurance contracts as claims are normally advised and settled within one year of the insured event taking place.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

a) Insurance risks *(continued)*

Frequency and amounts of claims (continued)

Property

Property insurance covers a diverse collection of risks and therefore property insurance contracts are subdivided into four risks groups, fire, business interruption, weather damage and theft.

These contracts are underwritten by reference to the commercial replacement value of the properties and contents insured. The cost of rebuilding properties, of replacement or indemnity for contents and time taken to restart operations for business interruptions are the key factors that influence the level of claims under these policies. The greatest likelihood of significant losses on these contracts arises from storm, flood damage or other weather related incidents.

Motor

Motor insurance contracts are designed to compensate policies holders for damage suffered to vehicles, disability to third parties arising through accidents and fire or theft of their vehicles.

Underwriting limits and guidelines are in place to enforce appropriate risk selection criteria.

The level of court awards for deaths and to injured parties and the replacement costs of motor vehicles are the key factors that influence the level of claims.

Marine

Marine insurance is designed to compensate contract holders for damage and liability arising through loss or damage to marine craft and accidents at sea resulting in the total or partial loss of cargoes.

For marine insurance, the main risks are loss or damage to marine craft and accidents resulting in the total or partial loss of cargoes.

The underwriting strategy for the marine class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered.

Casualty

For casualty class of business, such as workmen's compensation, personal accident, general third party liability and loss of money, the extent of loss or damage and the potential court awards are the main factors that influence the level of claims.

The Company manage these risks through their underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk. Underwriting limits are in place to enforce appropriate risk selections.

The Company proactively manages and pursues early settlement of claims to reduce their exposure to unpredictable developments.

The Company have adequate reinsurance arrangements to protect their financial viability against such claims for all classes of business.

The Company have obtained adequate non-proportionate reinsurance cover for all classes of business to limit losses to an amount considered appropriate by the management.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

a) Insurance risks *(continued)*

Frequency and amounts of claims (continued)

Medical

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

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

Concentration of risk

The Company's underwriting activities are carried out in the United Arab Emirates and other Middle East countries.

Reinsurance strategy

The Company reinsures a portion of the insurance risks it underwrites in order to control its exposure to losses and protect capital resources.

Ceded reinsurance contains credit risk, as discussed in the financial risk management note. The Company has a Reinsurance department that is responsible for setting the minimum security criteria for acceptable reinsurance and monitoring the purchase of reinsurance by the business units against those criteria. The department monitors developments in the reinsurance programme and its ongoing adequacy.

The Company buys a combination of proportionate and non-proportionate reinsurance treaties to reduce the net exposure to the Company. In addition, underwriters are allowed to buy facultative reinsurance in certain specified circumstances. All purchases of facultative reinsurance are subject to business unit pre-approval and the total expenditure on facultative reinsurance is monitored regularly by reinsurance department.

b) Financial risk

The Company has exposure to the following primary risks from its use of financial instruments and operations:

i) Credit risk;
ii) Liquidity risk;
iii) Market risk; and
iv) Operational risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

i) 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.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

b) Financial risk

i) Credit risk *(continued)*

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 reinsurer's 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.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the end of the reporting period was as follows:

	2018	2017
	AED	AED
Financial assets		
Insurance receivables	**131,302,311**	134,066,817
Due from related parties	**98,907,512**	104,074,814
Other receivables	**20,706,079**	17,427,658
Security deposits	**595,994**	667,775
Bank balances	**213,446,790**	238,692,971
	464,958,686	494,930,035

The age analysis of insurance receivables are as follows:

	Gross	**Provision for expected credit losses**	Gross	Provision for doubtful receivables
	2018	**2017**	2017	2017
	AED	**AED**	AED	AED
Less than 90 days	**49,704,585**	**-**	41,245,340	-
From 91-180 days	**18,541,496**	**-**	20,660,939	-
From 181-270 days	**9,824,416**	**-**	9,553,886	-
From 271-365 days	**6,326,586**	**-**	8,721,803	-
More than 365 days	**70,729,830**	**(23,824,602)**	71,064,545	(17,179,696)
	155,126,913	**(23,824,602)**	151,246,513	(17,179,696)

ii) 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.

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

b) Financial risk *(continued)*

ii) Liquidity risk *(continued)*

Maturity profiles

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

31 December 2018	**Carrying amount AED**	**Contractual cash flows AED**	**Less than 180 days AED**	**180 days to 1 year AED**
Liabilities				
Due to related parties	**78,590**	**(78,590)**	**(78,590)**	**-**
Bank borrowings	**108,069,434**	**(108,069,434)**	**(108,069,434)**	**-**
Insurance and other payables	**100,353,285**	**(100,353,285)**	**(100,353,285)**	**-**
Total liabilities	**208,501,309**	**(208,501,309)**	**(208,501,309)**	**-**

31 December 2017	Carrying amount AED	Contractual cash flows AED	Less than 180 days AED	180 days to 1 year AED
Liabilities				
Due to related parties	91,800	(91,800)	(91,800)	-
Bank borrowings	125,421,763	(125,421,763)	(125,421,763)	-
Insurance and other payables	134,744,334	(134,744,334)	(134,744,334)	-
Total liabilities	260,257,897	(260,257,897)	(260,257,897)	-

iii) 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.

a) 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 exposures in USD, which is pegged with AED and the Company's exposure to currency risk is limited to that extent, since almost all reinsurance arrangements are denominated in USD.

b) 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 2018, fixed deposits carried interest rates ranging from 3% to 3.6% per annum *(2017: 2.5% to 3.25% per annum).*

4. Risk management *(continued)*

v) Asset liability management ("ALM") *(continued)*

b) Financial risk *(continued)*

iii) Market risk *(continued)*

b) Interest rate risk *(continued)*

If interest rates had been 100 basis points lower throughout the year and all other variables were held constant, the Company's net profit for the year ended 31 December 2018 would decrease by approximately AED 2.11 million *(2017: AED 2.32 million)*. Similarly increase in interest by 100 basis points would result in equal and opposite effect on profit for the year.

c) Equity price risk

Equity price risk is the risk that the fair value of a 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 is 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.

Sensitivities

The table below shows the results of sensitivity testing on the Company's profit or loss and equity 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	**Other comprehensive income AED**	**Profit or loss AED**	**Other comprehensive income AED**
31 December 2018				
Fair value through profit or loss	**3,962,773**	-	**(3,962,773)**	-
31 December 2017				
Fair value through profit or loss	5,350,013	-	(5,350,013)	-

iv) 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, authorization and reconciliation procedures, staff training and assessment processes etc. with a 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.

5. Use of estimates and judgements

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

Measurement of insurance contract liabilities

The Company's accounting policy in respect of insurance contract accounting is discussed in more detail in note 3(a). The key assumptions made in respect of insurance contract liabilities are included in note 12.

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 judgement 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 the 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 claims incurred but not reported ("IBNR") at the date of statement of financial position. 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 and are presented in Note 12.

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.

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

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.

5. Use of estimates and judgements *(continued)*

Valuation of investment properties (continued)

Valuation technique and significant unobservable inputs (continued)

The Company has taken the average of valuations for the fair value measurement of its investment properties.

Valuation technique	**Significant unobservable inputs**	**Interrelationship between key unobservable inputs and fair value measurements**
1) Residual valuation approach 2) Sales comparative valuation 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 -Sales value of comparable properties	-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.

If the fair value of an investment property under development cannot be measured realibly, but the Company expects the fair vlue of the completed property to be reliably measureable, then such investment property under development is accounted for using cost model until the earlier of the date on which the fair value of the property can be measured realibly or the date on which the development is completed.

Policy applicable from 1 January 2018

Impairment of financial instruments

Assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of Expected Credit Losses ("ECL").

The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- The financial asset is more than 90 days past due.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and informed credit assessment and including forward-looking information.

Policy applicable before 1 January 2018

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 and feedback received from the legal department. The difference between the estimated collectible amount and the book amount is recognised as an expense in the profit or loss. Any difference between the amounts actually collected in the future periods and the amounts expected will be recognised in the profit or loss at the time of collection.

6 Classes and categories of financials assets and financial liabilities

The table below sets out the classification of each class of financial assets and liabilities along with their fair values. For financial assets and liabilities carried at amortised cost, management believes that the amortised cost of those instruments approximates to their fair values.

At 31 December 2018

Financial assets	**FVTPL**	**Amortised cost**	**Total**
	AED	**AED**	**AED**
Investment in financial assets at FVTPL	**39,627,729**	**-**	**39,627,729**
Insurance receivables	**-**	**131,302,311**	**131,302,311**
Due from related parties	**-**	**98,907,512**	**98,907,512**
Other receivables	**-**	**20,706,079**	**20,706,079**
Security deposits	**-**	**595,994**	**595,994**
Cash and bank balances	**-**	**213,704,881**	**213,704,881**
	39,627,729	**465,216,777**	**504,844,506**

Financial liabilities	**FVTPL**	**Amortised cost**	**Total**
	AED	**AED**	**AED**
Due to related parties	**-**	**78,590**	**78,590**
Bank borrowings	**-**	**108,069,434**	**108,069,434**
Insurance and other payables	**-**	**100,353,285**	**100,353,285**
	-	**208,501,309**	**208,501,309**

At 31 December 2017

Financial assets	FVTPL	Amortised cost	Total
	AED	AED	AED
Investment in financial assets at FVTPL	53,500,127	-	53,500,127
Insurance receivables	-	134,066,817	134,066,817
Due from related parties	-	104,074,814	104,074,814
Other receivables	-	17,427,658	17,427,658
Security deposits	-	667,775	667,775
Cash and bank balances	-	239,248,629	239,248,629
	53,500,127	495,485,693	548,985,820

Financial liabilities	FVTPL	Amortised cost	Total
	AED	AED	AED
Due to related parties	-	91,800	91,800
Bank borrowings	-	125,421,763	125,421,763
Insurance and other payables	-	134,744,334	134,744,334
	-	260,257,897	260,257,897

7 Fair value of financial instruments

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

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 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 but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

The following table analyses assets 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.

As at 31 December 2018	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets				
FVTPL - financial assets	**22,425,678**	**17,202,051**	**-**	**39,627,729**
Non financial assets				
Investment properties	**-**	**-**	**180,748,509**	**180,748,509**
	22,425,678	**17,202,051**	**180,748,509**	**220,376,238**

As at 31 December 2017	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets				
FVTPL - financial assets	36,071,320	17,428,807	-	53,500,127
Non financial assets				
Investment properties	-	-	172,602,503	172,602,503
	36,071,320	17,428,807	172,602,503	226,102,630

7 Fair value of financial instruments *(continued)*

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

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurement in Level 3 of the fair value hierarchy:

	2018	2017
	AED	AED
Balance at 1 January	**172,602,503**	175,472,388
Additions during the year	**11,695,200**	2,602,503
Decrease in the fair value of investment properties (note 11)	**(3,549,194)**	-
Disposal of subsidiary	-	(5,472,388)
Balance at 31 December	**180,748,509**	172,602,503

b) Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
	AED	**AED**	**AED**	**AED**
Financial assets				
Insurance receivables	-	-	**131,302,311**	**131,302,311**
Due from related parties	-	-	**98,907,512**	**98,907,512**
Other receivables	-	-	**20,706,079**	**20,706,079**
Security deposits	-	-	**595,994**	**595,994**
Cash and bank balances	-	-	**213,704,881**	**213,704,881**
	-	-	**465,216,777**	**465,216,777**
Financial liabilities				
Due to related parties	-	-	**78,590**	**78,590**
Bank borrowings	-	-	**108,069,434**	**108,069,434**
Insurance and other payables	-	-	**100,353,285**	**100,353,285**
	-	-	**208,501,309**	**208,501,309**

As at 31 December 2017	Level 1	Level 2	Level 3	Total
	AED	AED	AED	AED
Financial assets				
Insurance receivables	-	-	134,066,817	134,066,817
Due from related parties	-	-	104,074,814	104,074,814
Other receivables	-	-	17,427,658	17,427,658
Security deposits	-	-	667,775	667,775
Cash and bank balances	-	-	239,248,629	239,248,629
	-	-	495,485,693	495,485,693
Financial liabilities				
Due to related parties	-	-	91,800	91,800
Bank borrowings	-	-	125,421,763	125,421,763
Insurance and other payables	-	-	134,744,334	134,744,334
	-	-	260,257,897	260,257,897

8 Property and equipment

	Office premises AED	Office fixture AED	Furniture and equipment AED	Motor vehicles AED	Total AED
Cost					
At 1 January 2017	463,275	7,530,216	14,250,628	1,042,572	23,286,691
Additions	-	30,000	500,802	562,000	1,092,802
Disposal	-	-	-	(315,000)	(315,000)
Disposal of subsidiary	(463,275)	-	(5,240,879)	(502,592)	(6,206,746)
At 31 December 2017	-	7,560,216	9,510,551	786,980	17,857,747
At 1 January 2018	-	7,560,216	9,510,551	786,980	17,857,747
Additions	-	181,152	642,663	-	823,815
At 31 December 2018	**-**	**7,741,368**	**10,153,214**	**786,980**	**18,681,562**
Depreciation					
At 1 January 2017	61,758	3,117,656	11,509,130	938,038	15,626,582
Charge for the year	6,943	795,777	656,554	110,866	1,570,140
On disposals	-	-	-	(315,000)	(315,000)
Disposal of subsidiary	(68,701)	-	(5,035,028)	(495,361)	(5,599,090)
At 31 December 2017	-	3,913,433	7,130,656	238,543	11,282,632
At 1 January 2018	-	3,913,433	7,130,656	238,543	11,282,632
Charge for the year	-	801,823	591,095	76,906	1,469,824
At 31 December 2018	**-**	**4,715,256**	**7,721,751**	**315,449**	**12,752,456**
Carrying amounts					
At 31 December 2017	-	3,646,783	2,379,895	548,437	6,575,115
At 31 December 2018	**-**	**3,026,112**	**2,431,463**	**471,531**	**5,929,106**

9 Investment in associates

	2018	2017
	AED	AED
Green Air Technology L.L.C., United Arab Emirates (note 9.1)	**16,716**	16,716
Sogour Al Khaleej General Trading L.L.C., United Arab Emirates (Note 9.1)	**150,000**	150,000
Al Sagr Cooperative Insurance Company (note 9.2)	**163,725,327**	165,579,677
	163,892,043	165,746,393

9.1 The Company holds 50% ownership in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The remaining 50% ownership is owned equally by the Parent Company and the CEO of the Company.

The Company holds 50% ownership in Sogour Al Khaleej General Trading L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates. The main activity of an associate company is general trading. The remaining 50% ownership is owned by the Parent Company.

Although, the Company holds 50% equity in these two associates, these are controlled by the Parent Company. The Company's voting rights in these entities do not give it control over these entities.

9.2 As at 31 December 2015, the Company held 26% shares of Al Sagr Cooperative Insurance Company ("Al Sagr Cooperative"). Out of the 26% shares, the Company holds 6% shares for the beneficial interest of other individuals. Furthermore, the Company had entered into a sale purchase agreement for 1% of shares with a third party. Accordingly, the Company had been accounting for only 19% shares in Al Sagr Cooperative up until 31 December 2015. However, on 1 January 2016, the Company had reacquired 1% of the shares which it had previously sold. This resulted in an increase in the Company's holding percentage to 20%, thereby giving the Company significant influence over Al Sagr Cooperative. Accordingly, the Company reclassified its investment in Al Sagr Cooperative to an investment in associate.

	2018	2017
	AED	AED
As at 1 January	**165,579,677**	173,414,627
Company's share of net profits for the year	**1,820,650**	1,965,050
Dividend received during the year	**(3,675,000)**	(9,800,000)
Investment in associate	**163,725,327**	165,579,677
Percentage of interest	**20%**	20%
	31 December	31 December
	2018	2017
	AED	AED
Assets	**954,454,261**	1,078,446,590
Liabilities	**(504,328,366)**	(619,048,950)
Net assets	**450,125,895**	459,397,640
Company's share in net assets at 20%	**90,025,178**	91,879,528
Goodwill and other intangibles at acquisition	**73,700,149**	73,700,149
Investment in associate	**163,725,327**	165,579,677
Revenue for the year	**199,502,479**	196,838,742
Net profit for the year	**9,103,254**	9,825,249
Company's share of net profit for the year at 20%	**1,820,650**	1,965,050

10 Investment in financial assets at fair value through profit or loss (FVTPL)

	2018 AED	2017 AED
Investment in financial assets at fair value through profit or loss ("FVTPL") (note 10.1)	**39,627,729**	53,500,127

10.1 Following is the movement of investments at FVTPL during the year:

	2018 AED	2017 AED
Fair value at beginning of the year	**53,500,127**	61,534,832
Net disposals during the year	**(10,497,034)**	(7,334,431)
Disposal of subsidiary	**-**	(66,101)
Decrease in fair value	**(3,375,364)**	(634,173)
Fair value at end of the year	**39,627,729**	53,500,127

During the year ended 31 December 2018, the Company has not purchased shares (2017: Nil) measured at fair value through profit or loss.

Investments in financial assets at fair value through profit or loss ("FVTPL") includes investment in funds with a related party amounting to AED 3.3 million *(2017: AED 3.3 million)* and investment in the companies with a related party amounting to AED 8.35 million (2017: 8.35 million).

All investments are held within U.A.E. except for investments at FVTPL amounting to AED 0.1 million *(2017: AED 0.33 million)* , which are invested in securities listed in Kuwait and Jordan.

11 Investment properties

	2018 AED	2017 AED
At the beginning of the year	**172,602,503**	172,934,241
Additions during the year	**11,695,200**	2,602,503
Decrease in the fair value	**(3,549,194)**	-
Disposal of subsidiary	**-**	(2,934,241)
At the end of the year	**180,748,509**	172,602,503

As at 31 December 2018, the Company has two investment properties out of which one property is Meydan Tower (property is under development but construction has not started), located in Dubai controlled by GGICO Real Estate Development Co. L.L.C. in which the Company has 10% ownership. The carrying value of the property is AED 76.45 million (31 December 2017: AED 80 million). The Company has assessed the fair value of the investment property as at 31 December 2018 and the fair value of investment property is not significantly different from its carrying value.

Another property located in Al Barsha First, Dubai is currently under development, and has a carrying value of AED 104.3 million (31 December 2017: AED 92.6 million) and the addition during the year pertains to that property. The management of the Company is of the view that assessement of fair value of under development property is difficult as appraiser normally uses fair value of land on the basis of precendent market transaction concluded in the recent past. Further, as allowed under IAS 40, till the completion management can carry under development property at cost.

12 Insurance contract liabilities and reinsurance contract assets

Movement in outstanding claims reserve, IBNR reserve, unexpired risk reserve and unallocated loss adjustment expense reserve

	2018		
	Gross AED	**Reinsurance AED**	**Net AED**
Total at the beginning of the year	**211,610,980**	**(159,230,000)**	**52,380,980**
Settled during the year	**(294,980,930)**	**136,830,716**	**(158,150,214)**
Provision made during the year	**206,237,105**	**(39,731,926)**	**166,505,179**
At 31 December	**122,867,155**	**(62,131,210)**	**60,735,945**

	2017		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	232,884,018	(160,255,398)	72,628,620
Settled during the year	(340,373,059)	127,653,656	(212,719,403)
Provision made during the year	337,929,041	(137,357,263)	200,571,778
	230,440,000	(169,959,005)	60,480,995
Disposal of subsidiary	(18,829,020)	10,729,005	(8,100,015)
At 31 December	211,610,980	(159,230,000)	52,380,980

Movement in unearned premium reserve

	2018		
	Gross AED	**Reinsurance AED**	**Net AED**
Total at the beginning of the year	**168,520,000**	**(54,266,000)**	**114,254,000**
Provision made during the year	**172,409,000**	**(52,896,000)**	**119,513,000**
Provision released during the year	**(168,520,000)**	**54,266,000**	**(114,254,000)**
At 31 December	**172,409,000**	**(52,896,000)**	**119,513,000**

	2017		
	Gross AED	Reinsurance AED	Net AED
Total at the beginning of the year	170,673,437	(47,315,638)	123,357,799
Provision made during the year	187,580,298	(54,821,659)	132,758,639
Provision released during the year	(170,673,437)	47,315,638	(123,357,799)
	187,580,298	(54,821,659)	132,758,639
Disposal of subsidiary	(19,060,298)	555,659	(18,504,639)
At 31 December	168,520,000	(54,266,000)	114,254,000

12 Insurance contracts liabilities and reinsurance contract assets *(continued)*

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. 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. 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.

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

	Underwriting year				
	2015	2016	2017	2018	Total
Gross	AED	AED	AED	AED	AED
Estimate of net incurred claims costs					
- At the end of underwriting year	257,053,647	273,372,583	279,431,127	205,287,445	-
- One year later	304,395,472	315,323,337	246,074,021	-	-
- Two years later	312,701,471	326,410,641	-	-	-
- Three years later	318,310,780	-	-	-	-
Current estimate of incurred claims	318,310,780	326,410,641	246,074,021	205,287,445	1,096,082,887
Cumulative payments to date	(317,840,523)	(318,530,014)	(238,237,787)	(151,952,744)	(1,026,561,068)
Liability recognised	470,257	7,880,627	7,836,234	53,334,701	69,521,819
Liability in respect of 2014 and prior years					918,336
Total liability included in the statement of financial position					**70,440,155**
Net					
Estimate of net incurred claims costs					
- At the end of underwriting year	185,971,890	171,150,776	130,810,502	125,313,897	-
- One year later	238,483,216	207,423,675	147,032,059	-	-
- Two years later	244,330,655	214,072,350	-	-	-
- Three years later	247,811,697	-	-	-	-
Current estimate of incurred claims	247,811,697	214,072,350	147,032,059	125,313,897	734,230,003
Cumulative payments to date	(248,391,400)	(210,345,006)	(142,460,595)	(104,185,474)	(705,382,475)
Liability recognised	(579,703)	3,727,344	4,571,464	21,128,423	28,847,528
Liability in respect of 2014 and prior years					(4,977,583)
Total liability included in the statement of financial position					**23,869,945**

13 Insurance receivables

	2018	2017
	AED	AED
Due from policy holders	**24,696,910**	23,259,717
Due from insurance and reinsurance companies	**58,760,986**	66,902,450
Due from agents and brokers	**58,921,051**	45,580,111
Due from garages	**12,747,966**	15,504,235
	155,126,913	151,246,513
Expected credit losses / provision against receivables (note 13.1)	**(23,824,602)**	(17,179,696)
	131,302,311	134,066,817

13.1 Expected credit losses / provision against receivables

Movement in the expected credit losses / provision against receivables

	2018	2017
	AED	AED
Balance at beginning of the year	**17,179,696**	27,988,284
Impact of adoption of IFRS 9	**10,194,100**	-
(Reversal) / charge during the year	**(3,549,194)**	261,000
Disposal of subsidiary	-	(11,069,588)
Balance at end of the year	**23,824,602**	17,179,696

14 Other receivables and prepayments

	2018	2017
	AED	AED
Accrued interest income	**2,638,624**	2,997,202
Staff advances	**310,789**	441,742
Other receivables	**18,094,972**	13,988,714
Prepayments	**569,816**	705,542
Less: Expected credit losses	**(338,306)**	-
	21,275,895	18,133,200

15 Cash and bank balances

	2018	2017
	AED	AED
Cash in hand	**258,091**	555,658
Bank balances:		
Current accounts	**2,030,871**	6,614,681
Fixed deposits	**211,449,900**	232,078,290
Less: Expected credit losses	**(33,981)**	-
	213,704,881	239,248,629

Fixed deposits with banks as at 31 December 2018 include AED 10.3 million *(2017: AED 10.3 million)* deposited in the name of the Company to the order of the Ministry of Economy and Trade of the United Arab Emirates as required by the Federal Law Number (6) of 2007 relating to Insurance Authority.

Fixed deposits amounting to AED 183.6 million *(2017: AED 177.5 million)* are under lien in respect of bank credit facilities granted to the Company.

All fixed deposits with banks mature within different periods not exceeding one year from the financial date of deposit and carry interest rates between 3% to 3.6% per annum (31 December 2017: 2.5% to 3.25% per annum).

15 Cash and bank balances *(continued)*

Cash and cash equivalents for the purpose of cashflows are analysed as follows;

	2018	2017
	AED	AED
Bank balances and cash	**213,704,881**	239,248,629
Bank borrowings	**(108,069,434)**	(125,421,763)
Cash and cash equivalents	**105,635,447**	113,826,866

16 Share capital

	2018	2017
	AED	AED
Issued and fully paid:		
230,000,000 shares of AED 1 each	**230,000,000**	230,000,000

17 Statutory 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.

18 General reserve

The general reserve is established through transfers from profit for the year as recommended by the Board of Directors and approved by the Shareholders at the Annual General Meeting. The reserve is distributable based on a recommendation by the Board of Directors approved by a Shareholders' resolution.

During prior year, the shareholders of the Company approved the transfer of AED 100 million from general reserve to retained earnings, in the annual general meeting held on 25 April 2017.

19 Provision for employees' end of service indemnity

Movement in the net liability is as follows:

	2018	2017
	AED	AED
At 1 January	**14,294,533**	14,328,526
Charge for the year	**1,103,520**	1,258,173
Paid during the year	**(915,865)**	(1,292,166)
At 31 December	**14,482,188**	14,294,533

20 Bank borrowings

	2018	2017
	AED	AED
Bank overdrafts	**108,069,434**	125,421,763

The Company has bank facilities in the form of overdrafts repayable upon demand and bearing interest ranging from 3.65% to 4.15% per annum *(2017: 3.05% to 4.25%)*. These facilities are secured by lien on fixed deposits amounting to AED 183.6 million *(2017: AED 177.5 million)*. The bank overdraft limit provided under the facilities is AED 167.5 million *(2017: AED 212.5 million)*.

21 Insurance and other payables

	2018 AED	2017 AED
Due to insurance and reinsurance companies	**53,477,935**	59,316,190
Other payable:		
Insurance customer payables	**30,668,391**	65,468,704
Accrued expenses and provisions	**4,852,684**	4,169,111
VAT payable	**2,053,193**	-
Other	**9,301,082**	5,790,329
	100,353,285	134,744,334

22 Investment loss - net

	2018 AED	2017 AED *Consolidated*
Net gain / (loss) on sale of investment in securities	**769,166**	(190,404)
Interest income	**6,390,168**	7,859,928
Dividend income	**1,670,455**	1,480,759
Loss on revaluation of investments - FVTPL (note 10.1)	**(3,375,364)**	(634,173)
Decrease in the fair value of investment properties (note 11)	**(3,549,194)**	-
Other income	**23,111**	273,794
Finance costs	**(4,746,843)**	(6,319,714)
Unallocated general and administrative expenses	**(14,521,055)**	(14,877,091)
	(17,339,556)	(12,406,901)

Unallocated general administrative expenses include social contribution made by the Company of AED 0.367 million (2017: AED 0.367 million).

23 General and administrative expenses

Profit for the year has been arrived at after charging the following expenses which are included in the general and administrative expenses and unallocated general and administrative expenses.

	2018 AED	2017 AED *Consolidated*
Staff cost	**30,836,094**	33,745,919
Depreciation of property and equipment (note 8)	**1,469,824**	1,570,140

24 Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to shareholders by the weighted average number of shares outstanding at reporting date.

	2018	2017 *Consolidated*
Profit for the year attributable to equity holders of the Parent (AED)	**21,723,063**	20,369,302
Weighted average number of shares	**230,000,000**	230,000,000
Earnings per share (AED)	**0.09**	0.09

There is no dilution impact on basic earnings per share.

25 Related party transactions

The Company enters into transactions with companies and entities that fall within the definition of a related party as contained in International Accounting Standard (IAS) 24: Related Party Disclosures. Related parties comprise companies and entities under common ownership and/or common management and control, shareholders, directors and key management personnel of the Company, their close family members and entities controlled, jointly controlled or significantly influenced by such parties. 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.

At reporting date, amounts due from/to related parties were as follows:

	2018	2017
	AED	AED
Included in due from related parties		
Due from related parties	**108,344,692**	106,966,596
Due from shareholders	**3,267,820**	3,460,718
Expected credit losses / provision for doubtful debts (note 25.1)	**(12,705,000)**	(6,352,500)
	98,907,512	104,074,814
Due to related parties	**78,590**	91,800
Included in insurance contract liabilities		
Gross outstanding claims	**1,679,857**	828,577

25.1 Expected credit losses / provision for doubtful debts

Movement in the expected credit losses / provision for doubtful debts

	2018	2017
	AED	AED
Balance at beginning of the year	**(6,352,500)**	-
Provision during the year	**(6,352,500)**	(6,352,500)
Balance at end of the year	**(12,705,000)**	(6,352,500)

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

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

	2018	2017
	AED	AED
		Consolidated
Gross premium	**6,503,193**	11,324,037
Claims paid	**1,954,532**	3,447,707

Compensation of key management personnel

	2018	2017
	AED	AED
		Consolidated
Salaries and benefits	**6,141,881**	7,739,095

26 Segment information

Operating segment information

For management purposes the Company is organised into two operating segments, general insurance and life assurance. These segments are the basis on which the Company reports its primary segment information.

	General insurance		Life insurance		Total	
	31 December 2018 AED	31 December 2017 AED	**31 December 2018 AED**	31 December 2017 AED	**31 December 2018 AED**	31 December 2017 AED
ASSETS						
Property and equipment	**5,806,492**	6,434,985	**122,614**	140,130	**5,929,106**	6,575,115
Investment in associates	**163,892,043**	165,746,393	**-**	-	**163,892,043**	165,746,393
Investment in financial assets at FVTPL	**39,627,729**	53,500,127	**-**	-	**39,627,729**	53,500,127
Investment properties	**180,748,509**	172,602,503	**-**	-	**180,748,509**	172,602,503
Insurance receivables	**130,123,687**	132,354,813	**1,178,624**	1,712,004	**131,302,311**	134,066,817
Reinsurer share of outstanding claims	**42,639,228**	140,811,962	**3,930,982**	2,582,038	**46,570,210**	143,394,000
Reinsurer share of incurred but not reported claims (IBNR)	**14,265,000**	14,309,000	**1,296,000**	1,527,000	**15,561,000**	15,836,000
Reinsurer share of unearned premium reserve	**49,627,000**	50,732,000	**3,269,000**	3,534,000	**52,896,000**	54,266,000
Due from related parties	**98,603,176**	103,858,528	**304,336**	216,286	**98,907,512**	104,074,814
Other receivables and prepayments	**21,275,895**	18,133,200	**-**	-	**21,275,895**	18,133,200
Security deposits	**595,994**	667,775	**-**	-	**595,994**	667,775
Cash and bank balances	**205,204,881**	230,748,629	**8,500,000**	8,500,000	**213,704,881**	239,248,629
Asset held for sale	**-**	1,693,322	**-**	-	**-**	1,693,322
Total assets	**952,409,634**	1,091,593,237	**18,601,556**	18,211,458	**971,011,190**	1,109,804,695

26 Segment information (continued)

	General insurance		Life insurance		Total	
	31 December 2018 AED	31 December 2017 AED	**31 December 2018 AED**	31 December 2017 AED	**31 December 2018 AED**	31 December 2017 AED
LIABILITIES						
Due to related parties	**78,590**	91,800	**-**	-	**78,590**	91,800
Provision for employees' end of service indemnity	**14,158,934**	13,996,351	**323,254**	298,182	**14,482,188**	14,294,533
Bank borrowings	**108,069,434**	125,421,763	**-**	-	**108,069,434**	125,421,763
Insurance and other payables	**97,993,605**	132,299,198	**2,359,680**	2,445,136	**100,353,285**	134,744,334
Outstanding claims reserve	**66,022,102**	161,391,398	**4,418,053**	2,918,582	**70,440,155**	164,309,980
Incurred but not reported claims (IBNR) reserve	**48,049,000**	41,751,000	**1,394,000**	1,575,000	**49,443,000**	43,326,000
Unearned premium reserve	**169,203,000**	165,039,000	**3,206,000**	3,481,000	**172,409,000**	168,520,000
Unexpired risk reserve	**330,000**	804,000	**300,000**	329,000	**630,000**	1,133,000
Unallocated loss adjustment expense reserve	**2,246,000**	2,751,000	**108,000**	91,000	**2,354,000**	2,842,000
Total liabilities	**506,150,665**	643,545,510	**12,108,987**	11,137,900	**518,259,652**	654,683,410
EQUITY						
Share capital					**230,000,000**	230,000,000
Statutory reserve					**69,430,174**	67,257,868
General reserve					**100,000,000**	100,000,000
Retained earnings					**53,321,364**	57,863,417
Total equity					**452,751,538**	455,121,285
Total liabilities and equity					**971,011,190**	1,109,804,695

26 Segment information (continued)

Operating segment information

	For the year ended 31 December					
	General insurance		**Life insurance**		**Total**	
	2018	2017	**2018**	2017	**2018**	2017
	AED	AED	**AED**	AED	**AED**	AED
		Consolidated		*Consolidated*		*Consolidated*
Underwriting income						
Gross insurance premium	**344,158,670**	383,053,837	**11,514,123**	13,233,081	**355,672,793**	396,286,918
Less: reinsurance share of gross premium	**(124,439,017)**	(142,965,180)	**(11,048,078)**	(12,496,182)	**(135,487,095)**	(155,461,362)
Less: reinsurance share of ceded business premium	**(2,108,611)**	(2,199,355)	**-**	-	**(2,108,611)**	(2,199,355)
Net retained premium	**217,611,042**	237,889,302	**466,045**	736,899	**218,077,087**	238,626,201
Net change in unearned premium reserve	**(5,269,000)**	(9,395,840)	**10,000**	(5,000)	**(5,259,000)**	(9,400,840)
Net insurance premium	**212,342,042**	228,493,462	**476,045**	731,899	**212,818,087**	229,225,361
Commission earned	**54,742,171**	78,173,524	**5,309,129**	6,049,280	**60,051,300**	84,222,804
Commission incurred	**(29,683,987)**	(31,373,660)	**(908,436)**	(1,010,253)	**(30,592,423)**	(32,383,913)
Net underwriting income	**237,400,226**	275,293,326	**4,876,738**	5,770,926	**242,276,964**	281,064,252
Gross claims paid	**(291,753,188)**	(331,519,189)	**(3,227,742)**	(8,853,870)	**(294,980,930)**	(340,373,059)
Insurance claims recovered from reinsurers	**133,979,423**	119,707,126	**2,851,293**	7,946,530	**136,830,716**	127,653,656
Net claims paid	**(157,773,765)**	(211,812,063)	**(376,449)**	(907,340)	**(158,150,214)**	(212,719,403)
Decrease / (increase) in provision for outstanding claims	**95,369,296**	5,472,525	**(1,499,471)**	4,954,857	**93,869,825**	10,427,382
(Decrease) / increase in 'reinsurer share of outstanding claims	**(98,172,734)**	8,484,733	**1,348,944**	(4,796,126)	**(96,823,790)**	3,688,607
Decrease / (increase) in unexpired risk reserve	**474,000**	(125,000)	**29,000**	(99,000)	**503,000**	(224,000)
(Increase) / decrease in incurred but not reported claims (IBNR) reserve	**(6,342,000)**	(2,212,364)	**(50,000)**	60,000	**(6,392,000)**	(2,152,364)
Decrease / (increase) in unallocated loss adjustment expense reserve	**505,000**	347,000	**(17,000)**	61,000	**488,000**	408,000
Net claims incurred	**(165,940,203)**	(199,845,169)	**(564,976)**	(726,609)	**(166,505,179)**	(200,571,778)
Underwriting profit	**71,460,023**	75,448,157	**4,311,762**	5,044,317	**75,771,785**	80,492,474

26 Segment information (continued)

	For the year ended 31 December	
	2018	2017
	AED	AED
		Consolidated
Underwriting profit (continued)	**75,771,785**	80,492,474
Net investments loss	**(17,339,556)**	(12,406,901)
Loss on disposal of subsidiary	**-**	(1,714,086)
Share of profits from equity accounted investees	**1,820,650**	1,965,050
Reversal / (charge) of expected credit loss / provision against insurance receivables	**3,549,194**	(261,000)
Provision for expected credit losss / doubtful debts on due from related parties	**(6,352,500)**	(6,352,500)
General and administrative expenses	**(35,726,510)**	(41,599,310)
Profit for the year	**21,723,063**	20,123,727

27 Operating lease arrangements

Operating lease payments represent rentals payable by the Company for its office premises. At reporting date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2018	2017
	AED	AED
Less than one year	**3,180,843**	1,378,738
Between one and five years	**8,019,240**	-
	11,200,083	1,378,738

28 Contingent liabilities and commitments

Guarantees

	2018	2017
	AED	AED
Letters of guarantee	**18,073,809**	68,218,662

Contingent liabilities

The Company in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its under writing 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 are liable estimate of the amount of outflow can be made.

29 Dividend

Dividends of AED 0.05 per share (2017: AED 0.05 per share) amounting to AED 11.5 million relating to the year 2017 were approved by the shareholders at the Annual General Meeting held on 17 April 2018 and paid during the year.

30 Comparative figures

Certain comparatives have been reclassified / regrouped to conform to the presentation adopted in the financial statements.