Al-Sagr National Insurance Company
(Public Shareholding Company)

Financial statements

For the year ended 31 December 2019

شركة الصقر الوطنية للتأمين
Al Sagr National Insurance Co.
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
المركز الرئيسي : مبنى شركة الصقر للتأمين، المنطقة الدبلوماسية، شارع السيف، بر دبي، هاتف : ٠٤-٧٠٢٨٥٠٠، فاكس : ٠٤-٢٨٢١٨٧٣، ص.ب: ١٤٦١٤، دبي، الإمارات العربية المتحدة
Head Office: Al Sagr Insurance Building, Diplomatic Area, Al Seef Road, Bur Dubai, Tel: 04-7028500, Fax: 04-2821873, PO Box 14614, Dubai, UAE
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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 2019.

Financial Highlights

The Company has reported a premium of AED 407.1 million for year ended 31 December 2019 compared to AED 355.6 million for the corresponding prior year, The Company has reported an underwriting profit of AED 68.4 million for the year ended 31 December 2019 compared to AED 71.1 million for the corresponding prior year. the Company reported for the year ended 2019 a net profit of AED 4.8 million compared to a net profit of AED 18.9 million in 2018 .

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. Abdel Muhsen Jaber	Director & GM

Auditors:-

Grant Thornton were appointed as auditors of the Al Sagr National Insurance Company for the year 2019 at the Annual General Meeting held on 16/04/2019.

For and on behalf of the board

Abdel Muhsen Jaber
Director & GM
08/03/2020

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Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Al-Sagr National Insurance Company (PSC) (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

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

Other Matter

The financial statements for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on 27 March 2019.

Key Audit Matters

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

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

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Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

i) Valuation of technical provisions

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

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

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

ii) Valuation and reclassification of investment properties

As disclosed in the note 9 of these financial statements, the Company has transferred one of its investment properties to owner occupied properties under IAS 16 at the value of AED 76.75 million (2018: AED 76.45 million). The transfer was made at fair value of this property which the Company has assessed not to be significantly different from its carrying amount at the date of transfer. Another property, which is currently under development, has a carrying value of AED 131 million (31 December 2018: AED 104 million). The management of the Company is of the view that assessment of fair value of under development property is difficult as appraiser normally uses fair value of land on the basis of precedent market transaction concluded in the recent past. Further, as allowed under IAS 40, till the completion management can carry under development property at cost. Independent external valuations were obtained in order to support management's estimates.

Our procedures in relation to management's valuation of investment property included:

- Evaluation of the independent external valuers' competence, capabilities and objectivity;
- Assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; and
- Checking, on a sample basis, the accuracy and relevance of the input data used.

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Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

iii) Impairment losses on insurance receivables including third party recoveries

The Company has insurance receivables that are overdue and not impaired (as disclosed in note 10 to these financial statements). The key associated risk is the recoverability of receivables. Management's related allowance for expected credit losses (ECL) is subjective and is influenced by assumptions concerning the probability of default and probable losses in the event of default.

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

- Obtained an understanding of the Company's process for estimating ECL and assessed the appropriateness of ECL methodology against the requirements of IFRS 9.
- Identified and tested key controls over the ECL model used.
- Assessed the reasonableness of managements' key assumptions and judgements made in determining the allowance for ECL, segmenting of receivables and macroeconomic factors.
- We tested the key inputs of 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 reasonableness of forward-looking factors used by the Company by corroborating with publicly available information.

Other information

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

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

Responsibilities of Management and Those Charged With Governance For The Financial Statements

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

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.

Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

Auditor's Responsibilities for The Audit of The Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

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

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Independent Auditor's Report
To the Shareholders of Al-Sagr National Insurance Company (PSC)

Report on the Audit of the Financial Statements (continued)

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

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

Report on other legal and regulatory requirements

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

i) the Company has maintained proper books of account;

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

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

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

v) investments in shares and stocks during the year ended 31 December 2019, are disclosed in note 7 to these financial statements;

vi) note 24 reflect material related party transactions and the terms under which they were conducted;

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

viii) note 21 to the financial statements reflects the social contributions made during the year.

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

Grant Thornton

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

GRANT THORNTON

Farouk Mohamed
Registered Auditor Number: 86
Dubai - 8 March 2020

Statement of financial position
As at 31 December 2019

	Notes	2019 AED	Restated 2018 AED
ASSETS			
Property and equipment	5	**88,512,633**	5,929,106
Investment in associates	6	**153,961,359**	163,892,043
Investment in financial assets at FVTPL	7	**19,621,417**	28,221,755
Investment properties	9	**130,955,617**	180,748,509
Insurance receivables	10	**132,038,020**	113,056,141
Reinsurer share of outstanding claims	11	**32,581,148**	46,570,210
Reinsurer share of incurred but not reported claims (IBNR)	11	**17,046,000**	15,561,000
Reinsurer share of unearned premium reserve	11	**65,507,000**	52,896,000
Reinsurer share of mathematical reserve	11	**1,180,000**	-
Due from related parties	24	**35,744,437**	40,304,832
Other receivables and prepayments	12	**16,570,570**	21,871,889
Cash and bank balances	13	**202,728,762**	213,704,881
TOTAL ASSETS		**896,446,963**	882,756,366
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**230,000,000**	230,000,000
Statutory reserve	15	**69,628,437**	69,148,174
General reserve	16	**100,000,000**	100,000,000
(Accumulated losses)/retained earnings		**(43,621,897)**	(34,651,460)
Total equity		**356,006,540**	364,496,714
Liabilities			
Due to related parties	24	**79,274**	78,590
Provision for employees' end of service indemnity	17	**11,134,615**	14,482,188
Bank borrowings	18	**81,313,163**	108,069,434
Insurance and other payables	19	**107,393,631**	100,353,285
Outstanding claims reserve	11	**76,784,661**	70,440,155
Incurred but not reported claims (IBNR) reserve	11	**49,307,000**	49,443,000
Unearned premium reserve	11	**202,324,000**	172,409,000
Mathematical reserve	11	**1,190,000**	-
Unexpired risk reserve	11	**-**	630,000
Unallocated loss adjustment expense reserve	11	**3,985,000**	2,354,000
Lease liability	20	**6,929,079**	-
Total liabilities		**540,440,423**	518,259,652
TOTAL EQUITY AND LIABILITIES		**896,446,963**	882,756,366

These financial statements were approved and authorised for issue by the Board of Directors on 8 March 2020 and signed on their behalf by:

Majid Abdulla Al Sari
Chairman

Abdel Muhsen Jaber
Director and General Manager

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

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Al-Sagr National Insurance Company (PSC)

Statement of income
For the year ended 31 December 2019

	Notes	2019 AED	Restated 2018 AED
UNDERWRITING INCOME			
Gross premium		**407,188,579**	355,672,793
Less: reinsurance share of gross premium		**(137,498,179)**	(135,487,095)
Less: reinsurance share of ceded business premium		**(7,075,594)**	(2,108,611)
Net retained premium		**262,614,806**	218,077,087
Net change in unearned premium reserve		**(17,304,000)**	(5,259,000)
Net insurance premium		**245,310,806**	212,818,087
Commission earned		**23,077,392**	19,820,312
Commission incurred		**(44,828,374)**	(30,592,423)
Other operational income - net		**28,303,620**	38,455,984
Underwriting income		**251,863,444**	240,501,960
UNDERWRITING EXPENSES			
Gross claims paid		**(241,691,617)**	(294,980,930)
Insurance claims recovered from reinsurers		**78,029,658**	134,010,716
Net claims paid		**(163,661,959)**	(160,970,214)
(Increase)/decrease in provision for outstanding claims		**(6,344,502)**	93,869,825
Decrease in reinsurer share of outstanding claims		**(13,989,062)**	(96,823,790)
Decrease in unexpired risk reserve		**629,000**	503,000
Decrease/(increase) in incurred but not reported claims reserve		**1,621,000**	(6,392,000)
Increase in mathematical reserve		**(10,000)**	-
(Increase)/decrease in unallocated loss adjustment expense reserve		**(1,630,000)**	488,000
Net claims incurred		**(183,385,523)**	(169,325,179)
UNDERWRITING PROFIT		**68,477,921**	71,176,781
INVESTMENT INCOME			
Net investments loss	21	**(14,764,668)**	(15,564,552)
Share of (losses)/profits from equity accounted investees	6	**(9,930,684)**	1,820,650
Reversal of expected credit loss against insurance receivables	10	**-**	3,549,194
Expected credit losses on due from related parties	24	**-**	(6,352,500)
General and administrative expenses	22	**(38,979,942)**	(35,726,510)
PROFIT FOR THE YEAR		**4,802,627**	18,903,063
Earnings per share (AED)	23	**0.02**	0.08

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

Statement of comprehensive income
For the year ended 31 December 2019

	2019 AED	Restated 2018 AED
Profit for the year	**4,802,627**	18,903,063
Other comprehensive income for the year	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**4,802,627**	18,903,063

Statement of changes in equity
For the year ended 31 December 2019

	Share capital AED	Statutory reserve AED	General reserve AED	(Accumulated losses) /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	-	-	-	(10,592,810)	(10,592,810)
Effect of restatement (note 30)	-	-	-	(85,434,824)	(85,434,824)
As at 1 January 2018 (restated)	230,000,000	67,257,868	100,000,000	(38,164,217)	359,093,651
Total comprehensive income for the year					
Profit for the year (restated)	-	-	-	18,903,063	18,903,063
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year (restated)	-	-	-	18,903,063	18,903,063
Transactions with owners directly recorded in equity					
Transfer to statutory reserve (restated)	-	1,890,306	-	(1,890,306)	-
Dividend paid (note 27)	-	-	-	(11,500,000)	(11,500,000)
Directors' fee paid (note 28)	-	-	-	(2,000,000)	(2,000,000)
Balance at 31 December 2018	230,000,000	69,148,174	100,000,000	(34,651,460)	364,496,714
Balance at 1 January 2019	**230,000,000**	**69,148,174**	**100,000,000**	**(34,651,460)**	**364,496,714**
Impact of adopting IFRS 16 (note 2.3)	-	-	-	**(42,801)**	**(42,801)**
Balance at 1 January 2019	**230,000,000**	**69,148,174**	**100,000,000**	**(34,694,261)**	**364,453,913**
Total comprehensive income for the year					
Profit for the year	-	-	-	**4,802,627**	**4,802,627**
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**4,802,627**	**4,802,627**
Transactions with owners directly recorded in equity					
Transfer to statutory reserve	-	**480,263**	-	**(480,263)**	-
Dividend paid (note 27)	-	-	-	**(11,500,000)**	**(11,500,000)**
Directors' fee paid (note 28)	-	-	-	**(1,750,000)**	**(1,750,000)**
Balance at 31 December 2019	**230,000,000**	**69,628,437**	**100,000,000**	**(43,621,897)**	**356,006,540**

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

Statement of cash flows
For the year ended 31 December 2019

	Notes	2019	Restated 2018
OPERATING ACTIVITIES		**AED**	AED
Profit for the year		**4,802,627**	18,903,063
Depreciation	5	**3,323,058**	1,469,824
Net unrealised loss from investments in financial assets at FVTPL	21	**7,862,517**	3,375,364
Net gain on sale of investments in financial assets at FVTPL	21	**(83,443)**	(769,166)
Decrease in the fair value of investment properties	9	**-**	3,549,194
Loss on disposal of property and equipment	21	**277,708**	-
Interest income	21	**(7,224,511)**	(6,390,168)
Dividend income from investment in financial assets at FVTPL	21	**(375,012)**	(1,670,455)
Share of loss/(profit) from equity accounted investees	6	**9,930,684**	(1,820,650)
Provision for employees' end of service benefits	17	**1,131,242**	1,103,520
Reversal of expected credit loss against insurance receivables	10	**-**	(3,549,194)
Provision for expected credit loss on due from related parties	24	**-**	6,352,500
Finance costs	21	**4,120,864**	4,746,843
Interest on lease liability	20	**331,191**	-
Operating cash flows before movements in working capital		**24,096,925**	25,300,675
Change in insurance receivables		**(18,981,879)**	(1,060,400)
Change in reinsurer share of outstanding claims		**13,989,062**	96,823,790
Change in reinsurer share of incurred but not reported claims		**(1,485,000)**	275,000
Change in reinsurer share of unearned premium reserve		**(12,611,000)**	1,370,000
Change in reinsurer share of mathematical reserve		**(1,180,000)**	-
Change in due from related parties		**4,560,395**	(1,185,198)
Change in other receivables and prepayments		**5,301,319**	(3,435,643)
Change in due to related parties		**684**	(13,210)
Change in insurance and other payables		**7,040,346**	(34,391,049)
Change in outstanding claims reserve		**6,344,506**	(93,869,825)
Change in incurred but not reported claims (IBNR) reserve		**(136,000)**	6,117,000
Change in unearned premium reserve		**29,915,000**	3,889,000
Change in mathematical reserve		**1,190,000**	-
Change in unexpired risk reserve		**(630,000)**	(503,000)
Change in unallocated loss adjustment expense reserve		**1,631,000**	(488,000)
Net cash generated from/(used in) operations		**59,045,358**	(1,170,860)
Interest paid	21	**(4,120,864)**	(4,746,843)
Employees' end of service benefits paid	17	**(4,478,815)**	(915,865)
Net cash generated from/(used in) operating activities		**50,445,679**	(6,833,568)
INVESTING ACTIVITIES			
Purchase of property and equipment	5	**(879,390)**	(823,815)
Proceeds from sale of property and equipment		**5,800**	-
Acquisition of investment properties	9	**(26,957,914)**	(11,695,200)
Net proceeds from sale of investment in financial assets at FVTPL		**821,264**	11,266,200
Net proceeds from asset held for sale		**-**	1,693,322
Dividend received from equity accounted investees	6	**-**	3,675,000
Dividends received from investment in financial assets at FVTPL	21	**375,012**	1,670,455
Interest received	21	**7,224,511**	6,390,168
Net cash (used in)/generated from investing activities		**(19,410,717)**	12,176,130
FINANCING ACTIVITIES			
Dividend paid	27	**(11,500,000)**	(11,500,000)
Directors' fee paid	28	**(1,750,000)**	(2,000,000)
Payment of lease liability	20	**(2,004,810)**	-
Net cash used in financing activities		**(15,254,810)**	(13,500,000)
Net change in cash and cash equivalents		**15,780,152**	(8,157,438)
Cash and cash equivalents at 1 January		**105,635,447**	113,792,885
Cash and cash equivalents at 31 December	13	**121,415,599**	105,635,447

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

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 (U.A.E.) 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.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.2 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 3.6.

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FROM 1 JANUARY 2019

The Company has adopted the following new standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019.

IFRS 16 "Leases"

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

Subsequent to implementation of IFRS 16, the Company recognises a right-to-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus as initial direct costs incurred.

The right-to-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use or the end of the lease term. The estimated useful life of the right-to-use asset is determined on the same basis as those of property and equipment. In addition, the right-to-use is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

2 BASIS OF PREPARATION (continued)

2.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS EFFECTIVE FROM 1 JANUARY 2019 (continued)

IFRS 16 "Leases" (continued)

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

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

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

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

The Company has adopted IFRS 16 using the modified retrospective transition approach as of 1 January 2019 and therefore the comparative information has not been restated. All rights-to-use assets were measured at their carrying amounts as if the standard had been applied since the commencement date but discounted using the lessee's incremental borrowing rate at the date of initial application.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 January 2019:

	Carrying amount at 31 December 2018 AED	Reclassification AED	Remeasurement AED	IFRS 16 carrying amount at 1 January 2019 AED
Right to use – office building	-	-	8,559,897	8,559,897
Lease liability	-	-	(8,602,698)	(8,602,698)
Impact on retained earnings				(42,801)

The following is a reconciliation of total operating lease commitments at 31 December 2018 (as disclosed in financial statements to 31 December 2018) to the lease liabilities recognised at 1 January 2019:

	AED
Total operating lease commitments disclosed at 31 December 2018	11,200,083
Adjustments under IFRS 16:	
Leases with remaining lease term of less than 12 months	(1,176,033)
Operating lease liabilities before discounting	10,024,050
Discounted using incremental borrowing rate	(1,421,352)
Total lease liabilities recognised under IFRS 16 at 1 January 2019	8,602,698

2 BASIS OF PREPARATION (continued)

2.3 CHANGES IN ACCOUNTING POLICY (continued)

Several other amendments and interpretations apply for the first time in 2019, but do not have any material impact on the financial statements of the Company.

2.4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts (effective for accounting period beginning on or after 1 January 2022 with earlier application permitted as long as IFRS 9 and IFRS 15 are also applied)

IFRS 17 Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17:

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

The key principles in IFRS 17 are that an entity:

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Insurance contracts

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.

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 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. UPR for medical and group life business are calculated on a time proportion basis.

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 use of estimation and judgements in outstanding claims and IBNR are mentioned in note 4.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Insurance contracts (continued)

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.

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 expenses from the related insurance contracts because the reinsurance arrangements do not relieve the Company from its direct obligations to its policyholders.

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 income in the period in which they are incurred. Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

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.

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.

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.

3.2 Revenue (other than insurance revenue)

Revenue (other than insurance revenue) comprises the following:

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Revenue (other than insurance revenue) (continued)

Investment income

Investment income comprises income from financial assets, rental income from investment properties, realised and unrealised fair value gains or 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 or losses on financial assets classified at FVTPL, and realised gains or losses on other financial assets.

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 or losses on financial assets classified at FVTPL and realised gains on other financial assets is described in note 3.5.

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

3.3 Property and equipment

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 statement of income. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

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 income as incurred.

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 income 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	8 years
Furniture and equipment	8 years
Motor vehicles	8 years

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 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 income.

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.

3.5 Financial instruments

Recognition and measurement

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.

Financial assets

Classification

For the purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under IAS 32 Financial Instruments: Presentation) except for certain non-derivative puttable instruments presented as equity by the issuer. All other non-derivative financial assets are 'debt instruments'.

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. 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

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.

Dividend in these investments in equity instruments are recognised in the statement of income 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.

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.

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 income.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

De-recognition of financial assets and financial liabilities (continued)

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.

Impairment of financial assets

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, and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under 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 the result from all possible default events over the expected life of a financial instrument. Credit loss allowances are measured using a three-stage approach based on the extent of credit deterioration since origination:

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Stage 1 – Where there has not been a significant increase in credit risk (SICR) since initial recognition of a financial instrument, an amount equal to 12 months expected credit loss is recorded. The expected credit loss is computed using a probability of default occurring over the next 12 months. For those instruments with a remaining maturity of less than 12 months, a probability of default corresponding to remaining term to maturity is used.

Stage 2 – When a financial instrument experiences an increase in SICR subsequent to origination but is not considered to be in default, it is included in Stage 2. This requires the computation of expected credit loss based on the probability of default over the remaining estimated life of the financial instrument.

Stage 3 – Financial instruments that are considered to be in default are included in this stage. Similar to Stage 2, the allowance for credit losses captures the lifetime expected credit losses.

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.

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. To reflect this, qualitative adjustments or overlays are made as temporary adjustments using expert credit judgement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 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

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.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 statement of income.

Impairment losses are recognised in the statement of income 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 statement of income.

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.

Impairment losses are recognised in statement of income. 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.

3.6 Fair value measurement

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Fair value measurement (continued)

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

3.7 Foreign currency transactions

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

3.8 Leases

The Company has no finance leases. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the statement of income on a straight-line basis over the lease term.

3.8 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.

3.9 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.

3.10 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)

3.11 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.

3.12 Investments in associate

Investments in associates are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

3.13 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.

4 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 3.1. The key assumptions made in respect of insurance contract liabilities are as follows:

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.

4 USE OF ESTIMATES AND JUDGEMENTS (continued)

Measurement of insurance contract liabilities (continued)

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.

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 11.

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 adequacy of the liability. Any deficiency is immediately charged to statement of income.

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.

4 USE OF ESTIMATES AND JUDGEMENTS (continued)

Valuation of investment properties (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	-Expected market rental growth rate	-Expected market rental growth rate was higher
2)Sales comparative valuation approach	-Risk adjusted discount rates	-The risk adjusted discount rates were lower / higher
	-Free hold property	-The property is not free hold
	-Free of covenants, third party rights and obligations	-The property is subject to any covenants, rights and obligations
	-Statutory and legal validity	-The property is subject to any adverse legal notices / judgment
	-Condition of the property	-The property is subject to any defect / damages
	-Sales value of comparable properties	-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 reliably, but the Company expects the fair value of the completed property to be reliably measurable, 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 reliably or the date on which the development is completed.

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.

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.

5 PROPERTY AND EQUIPMENT

	Land AED	Office building AED	Office fixture AED	Furniture and equipment AED	Motor vehicles AED	Total AED
Cost						
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
At I January 2019	**-**	**-**	**7,741,368**	**10,153,214**	**786,980**	**18,681,562**
Additions	**-**	**-**	**51,000**	**453,390**	**375,000**	**879,390**
Transferred from investment property (note 9)	**76,750,806**	**-**	**-**	**-**	**-**	**76,750,806**
Adjustment on transition to IFRS 16 (note 2.3)	**-**	**8,559,897**	**-**	**-**	**-**	**8,559,897**
Disposal	**-**	**-**	**-**	**(10,800)**	**(426,750)**	**(437,550)**
At 31 December 2019	**76,750,806**	**8,559,897**	**7,792,368**	**10,595,804**	**735,230**	**104,434,105**
Depreciation						
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
At 1 January 2019	**-**	**-**	**4,715,256**	**7,721,751**	**315,449**	**12,752,456**
Charge for the year	**-**	**1,802,084**	**805,151**	**638,917**	**76,906**	**3,323,058**
Disposal	**-**	**-**	**-**	**(3,198)**	**(150,844)**	**(154,042)**
At 31 December 2019	**-**	**1,802,084**	**5,520,407**	**8,357,470**	**241,511**	**15,921,472**
Carrying amounts						
At 31 December 2018	-	-	3,026,112	2,431,463	471,531	5,929,106
At 31 December 2019	**76,750,806**	**6,757,813**	**2,271,961**	**2,238,334**	**493,719**	**88,512,633**

Right to use – office building

The table below describes nature of the Company's leasing activities by type of right to use asset recognised:

Right to use asset description	**Number of right to use assets leased**	**Remaining term**	**Number of leases with extension option**	**Number of leases with purchase option**	**Number of leases with variable payments**	**Number of leases with termination option**
Office building	1	3.75 years	-	-	-	-

6 INVESTMENT IN ASSOCIATES

	2019 AED	2018 AED
Green Air Technology L.L.C., UAE (note 6.1)	**16,716**	16,716
Sogour Al Khaleej General Trading L.L.C., UAE (note 6.2)	**150,000**	150,000
Al Sagr Cooperative Insurance Company (note 6.3)	**153,794,643**	163,725,327
	153,961,359	163,892,043

6.1 The Company holds 50% and the Parent Company holds 25% ownership respectively in Green Air Technology L.L.C., a limited liability company incorporated in Dubai, United Arab Emirates.

6.2 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 remaining 50% ownership is owned by the Parent Company.

Although, the Company holds 50% equity and the voting rights 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 the management of these entities.

6.3 As at 31 December 2019, the Company hold 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. The Company accounts for the 20% holding as an investment in associate as the Company has significant influence over Al Sagr Cooperative under the equity method as follows:

	2019 AED	2018 AED
As at 1 January	**163,725,327**	165,579,677
Company's share of net (loss)/profit	**(9,930,684)**	1,820,650
Dividend received during the year	**-**	(3,675,000)
As at 31 December	**153,794,643**	163,725,327
Percentage of interest	**20%**	20%
Assets	**1,011,680,053**	954,454,258
Liabilities	**(611,207,583)**	(504,328,366)
Net assets	**400,472,470**	450,125,892
Company's share in net assets at 20%	**80,094,494**	90,025,178
Goodwill and other intangibles at acquisition	**73,700,149**	73,700,149
Investment in associate	**153,794,643**	163,725,327
Revenue	**261,885,185**	199,502,479
Net (loss)/profit	**(49,653,420)**	9,103,252
Company's share of net (loss)/profit at 20 %	**(9,930,684)**	1,820,650

7 INVESTMENT IN FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

	2019 AED	Restated 2018 AED
Investment in financial assets at FVTPL (note 7.1)	**19,621,417**	28,221,755

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

	2019 AED	2018 AED
As at 1 January	**28,221,755**	42,094,153
Net disposals during the year	**(737,821)**	(10,497,034)
Decrease in fair value	**(7,862,517)**	(3,375,364)
As at 31 December	**19,621,417**	28,221,755

During the year ended 31 December 2019, the Company has not purchased shares (2018: Nil) measured at fair value through profit or loss. All investments are held within U.A.E. except for investments at FVTPL amounting to AED 0.1 million (2018: AED 0.1 million).

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

8.1 Fair value hierarchy of assets 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, as mentioned in note 3.6, is categorised. The amounts are based on the values recognised in the statement of financial position.

31 December 2019	**Level 1 AED**	**Level 2 AED**	**Level 3 AED**	**Total AED**
Financial assets				
FVTPL- financial assets	**14,125,340**	**-**	**5,496,077**	**19,621,417**
Non-financial assets				
Investment properties (note 9)	**-**	**-**	**130,955,617**	**130,955,617**
	14,125,340	**-**	**136,451,694**	**150,577,034**

31 December 2018	Level 1 AED	Level 2 AED	Level 3 AED	Total AED
Financial assets				
FVTPL- financial assets	22,725,678	-	5,496,077	28,221,755
Non-financial assets				
Investment properties	-	-	180,748,509	180,748,509
	22,725,678	-	186,244,586	208,970,264

9 INVESTMENT PROPERTIES

	2019 AED	2018 AED
As at 1 January	**180,748,509**	172,602,503
Additions during the year	**26,957,914**	11,695,200
Decrease in the fair value	**-**	(3,549,194)
Transferred to property and equipment (note 5)	**(76,750,806)**	-
As at 31 December	**130,955,617**	180,748,509

During the year 2019, the Company transferred one land included in the investment properties to property and equipment as the Company's Board of Directors has resolved to construct the Company's head office on this land in the foreseeable future. This property is located in Dubai and controlled by GGICO Real Estate Development Co. L.L.C. in which the Company has 10% ownership. The carrying value of the property at the date of transfer is AED 76.75 million (31 December 2018: AED 76.45 million). The Company has assessed the fair value of the investment property at the date of transfer 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 131 million (31 December 2018: AED 104 million) and the addition during the year pertains to this property. The management of the Company is of the view that assessment of fair value of under development property is difficult as appraiser normally uses fair value of land on the basis of precedent market transaction concluded in the recent past. Further, as allowed under IAS 40, till the completion management can carry under development property at cost.

10 INSURANCE RECEIVABLES

	2019 AED	Restated 2018 AED
Due from policy holders	**27,305,324**	24,696,910
Due from insurance and reinsurance companies	**64,942,191**	55,940,986
Due from agents and brokers	**71,211,382**	58,921,051
Due from garages	**7,805,154**	12,747,966
	171,264,051	152,306,913
Expected credit losses	**(39,226,031)**	(39,250,772)
	132,038,020	113,056,141

Movement in the expected credit losses is as follows:

	2019 AED	Restated 2018 AED
As at 1 January	**39,250,772**	17,179,696
Impact of adoption of IFRS 9	**-**	25,620,270
Reversal during the year	**(24,741)**	(3,549,194)
As at 31 December	**39,226,031**	39,250,772

11 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS

Movement in outstanding claims reserve, IBNR reserve, unexpired risk reserve and unallocated loss adjustment expense reserve is as follows:

	2019		
	Gross AED	**Reinsurance AED**	**Net AED**
As at 1 January	**122,867,155**	**(62,131,210)**	**60,735,945**
Settled during the year	**(241,691,697)**	**78,029,657**	**(163,662,040)**
Provision made during the year	**248,901,203**	**(65,525,595)**	**183,375,608**
As at 31 December	**130,076,661**	**(49,627,148)**	**80,449,513**

	2018		
	Gross AED	Reinsurance AED	Net AED
As at 1 January	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
As at 31 December	122,867,155	(62,131,210)	60,735,945

Mathematical reserve represents amounts set aside to meet the aggregate amount of the liabilities of the Company in relation to its long-term life business as at 31 December 2019. Movement can be analysed as follows:

	2019 AED	2018 AED
As at 1 January	**-**	-
Deficit of income over expenditure in the long-term business	**1,190,000**	-
Reinsurance share	**(1,180,000)**	-
As at 31 December	**10,000**	-

Movement in unearned premium reserve is analysed as follows:

	2019		
	Gross AED	**Reinsurance AED**	**Net AED**
As at 1 January	**172,409,000**	**(52,896,000)**	**119,513,000**
Provision made during the year	**202,324,000**	**(65,507,000)**	**136,817,000**
Provision released during the year	**(172,409,000)**	**52,896,000**	**(119,513,000)**
As at 31 December	**202,324,000**	**(65,507,000)**	**136,817,000**

	2018		
	Gross AED	Reinsurance AED	Net AED
As at 1 January	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)
As at 31 December	172,409,000	(52,896,000)	119,513,000

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.

11 INSURANCE CONTRACT LIABILITIES AND REINSURANCE CONTRACT ASSETS (continued)

Claim development table

Underwriting year	2016 AED	2017 AED	2018 AED	2019 AED	Total AED
Gross					
Estimate of net incurred claims					
- At the end of underwriting year	273,372,583	279,431,127	205,287,445	226,599,860	-
- One year later	315,323,337	246,074,021	217,977,018	-	-
- Two years later	326,410,641	250,019,762	-	-	-
- Three years later	327,247,935	-	-	-	-
Current estimate of incurred claims	327,247,935	250,019,762	217,977,018	226,599,860	1,021,844575
Cumulative payments to date	(322,076,535)	(245,759,230)	(207,793,456)	(169,540,187)	(945,169,408)
Liability recognised	5,171,400	4,260,532	10,183,562	57,059,673	76,675,167
Liability in respect of 2015 and prior years					109,494
Total liability included in the statement of financial position					**76,784,661**
Net					
Estimate of net incurred claims					
- At the end of underwriting year	171,150,776	130,810,502	124,909,612	158,373,524	-
- One year later	206,467,285	147,032,059	141,606,134	-	-
- Two years later	213,115,960	148,302,350	-	-	-
- Three years later	215,219,142	-	-	-	-
Current estimate of incurred claims	215,219,142	148,302,350	141,606,134	158,373,524	663,501,150
Cumulative payments to date	(211,717,822)	(145,941,775)	(135,773,900)	(123,384,500)	(616,817,997)
Liability recognised	3,501,320	2,360,575	5,832,234	34,989,024	46,683,153
Liability in respect of 2015 and prior years					(2,479,640)
Total liability included in the statement of financial position					**44,203,513**

12 OTHER RECEIVABLES AND PREPAYMENTS

	2019 AED	2018 AED
Accrued interest income	**1,868,532**	2,638,624
Prepayments	**624,028**	569,816
Staff advances	**291,533**	310,789
Other receivables	**14,124,783**	18,690,966
Less: expected credit losses	**(338,306)**	(338,306)
	16,570,570	21,871,889

13 CASH AND BANK BALANCES

	2019 AED	2018 AED
Cash in hand	**180,689**	258,091
Bank balances:		
Current accounts	**3,362,818**	2,030,871
Fixed deposits	**199,219,236**	211,449,900
Less: Expected credit losses	**(33,981)**	(33,981)
	202,728,762	213,704,881

Fixed deposits with banks as at 31 December 2019 include AED 10.3 million (2018: 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 (2018: AED 183.6 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 date of deposit and carry interest rates between 3% to 3.6% per annum (2018: 3% to 3.6% per annum). Cash and cash equivalents for the purpose of statement of cash flows are analysed as follows:

	2019 AED	2018 AED
Bank balances and cash	**202,728,762**	213,704,881
Bank borrowings	**(81,313,163)**	(108,069,434)
Cash and cash equivalents	**121,415,599**	105,635,447

14 SHARE CAPITAL

	2019 AED	2018 AED
Issued and fully paid 230,000,000 shares of AED 1 each	**230,000,000**	230,000,000

15 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.

16 GENERAL RESERVE

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

During the year a transfer of AED Nil (2018: AED Nil) has been made to the general reserve.

17 PROVISION FOR EMPLOYEES' END OF SERVICE INDEMNITY

Movement in the provision is as follows:

	2019 AED	2018 AED
As at 1 January	**14,482,188**	14,294,533
Charge for the year	**1,131,242**	1,103,520
Paid during the year	**(4,478,815)**	(915,865)
As at 31 December	**11,134,615**	14,482,188

18 BANK BORROWINGS

	2019 AED	2018 AED
Bank overdrafts	**81,313,163**	108,069,434

The Company has bank facilities in the form of overdrafts payable upon demand and bearing interest ranging from 3.65% to 4.15% per annum (2018: 3.65% to 4.15%). These facilities are secured by lien on fixed deposits amounting to AED 183.6 million (2018: AED 183.6 million). The bank overdraft limit provided under the facilities is AED 167.5 million (2018: AED 167.5 million).

19 INSURANCE AND OTHER PAYABLES

	2019 AED	2018 AED
Due to policy holders	**13,413,534**	17,484,570
Due to insurance and reinsurance companies	**62,793,414**	53,477,935
Due to agents and brokers	**6,901,662**	6,209,577
Due to garages	**10,768,357**	9,323,097
Other payable	**13,516,664**	13,858,106
	107,393,631	100,353,285

Other payable can be analysed as follows:

	2019 AED	2018 AED
Accrued expenses and provisions	**2,991,089**	4,852,684
VAT payable	**2,109,030**	2,053,193
Other	**8,416,545**	6,952,229
	13,516,664	13,858,106

20 LEASE LIABILITY

The Company has leases for the head office building and its branch offices as at 31 December 2019. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right to use asset and a lease liability. The Company classifies its right to use assets in a consistent manner to its property and equipment (see note 5). Future minimum lease payments at 31 December 2019 were as mentioned on the next page:

20 LEASE LIABILITY (continued)

	Within 1 year AED	1-2 years AED	2-3 years AED	3-4 years AED	4-5 years AED	Total AED
31 December 2019						
Lease payments	**2,004,810**	**2,004,810**	**2,004,810**	**1,503,608**	**-**	**7,518,038**
Finance charges	**(260,647)**	**(187,130)**	**(110,514)**	**(30,668)**	**-**	**(588,959)**
Net present values	**1,744,163**	**1,817,680**	**1,894,296**	**1,472,940**	**-**	**6,929,079**
31 December 2018						
Lease payments	2,004,810	2,004,810	2,004,810	2,004,810	1,503,608	9,522,848
Finance charges	(331,191)	(260,647)	(187,130)	(110,514)	(30,668)	(920,150)
Net present values	1,673,619	1,744,163	1,817,680	1,894,296	1,472,940	8,602,698

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right to use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. Operating lease payments represent rentals payable by the Company for its branch offices. At reporting date, the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2019 AED	2018 AED
Less than one year	**236,788**	3,180,843
Between one and five years	**-**	8,019,240
	236,788	11,200,083

21 NET INVESTMENT LOSS

	2019 AED	2018 AED
Unallocated general and administrative expenses	**(10,186,545)**	(12,746,051)
Loss on revaluation of investments - FVTPL (note 7)	**(7,862,517)**	(3,375,364)
Finance costs	**(4,120,864)**	(4,746,843)
Loss on disposal of property and equipment	**(277,708)**	-
Net gain on sale of investments in financial assets at FVTPL	**83,443**	769,166
Dividend income from investment in financial assets at FVTPL	**375,012**	1,670,455
Interest income on fixed deposits	**7,224,511**	6,390,168
Decrease in the fair value of investment properties (note 9)	**-**	(3,549,194)
Other income	**-**	23,111
	(14,764,668)	(15,564,552)

Unallocated general administrative expenses include social contribution made by the Company of AED 0.4 million (2018: AED 0.4 million).

22 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.

	2019 AED	2018 AED
Staff cost	**32,201,733**	30,836,094
Depreciation of property and equipment (note 5)	**3,323,058**	1,469,824

23 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.

	2019	Restated 2018
Profit for the year attributable to equity holders (AED)	**4,802,627**	18,903,063
Weighted average number of shares	**230,000,000**	230,000,000
Earnings per share (AED)	**0.02**	0.08

24 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:

	2019 AED	Restated 2018 AED
Included in due from related parties		
Due from related parties	**103,890,705**	108,344,692
Due from shareholders	**3,161,412**	3,267,820
Expected credit losses	**(71,307,680)**	(71,307,680)
	35,744,437	40,304,832
Due to related parties	**79,274**	78,590
Included in insurance contract liabilities		
Gross outstanding claims	**732,335**	1,679,857

Movement in the expected credit losses can be analysed as follows:

	2019 AED	2018 AED
As at 1 January	**71,307,680**	64,955,180
Expected credit losses during the year	**-**	6,352,500
As at 31 December	**71,307,680**	71,307,680

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:

	2019 AED	2018 AED
Gross premiums	**4,051,314**	6,503,193
Claims paid	**5,372,791**	1,954,532
Compensation of key management personnel		
Salaries and benefits	**3,295,940**	6,141,881

25 SEGMENTAL 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	
						Restated
	2019	2018	**2019**	2018	**2019**	2018
	AED	AED	**AED**	AED	**AED**	AED
ASSETS						
Property and equipment	**88,405,347**	5,806,492	**107,286**	122,614	**88,512,633**	5,929,106
Investment in associates	**153,961,359**	163,892,043	**-**	-	**153,961,359**	163,892,043
Investment in financial assets at FVTPL	**19,621,417**	28,221,755	**-**	-	**19,621,417**	28,221,755
Investment properties	**130,955,617**	180,748,509	**-**	-	**130,955,617**	180,748,509
Insurance receivables	**128,638,765**	111,877,517	**3,399,255**	1,178,624	**132,038,020**	113,056,141
Reinsurer share of outstanding claims	**30,175,883**	42,639,228	**2,405,265**	3,930,982	**32,581,148**	46,570,210
Reinsurer share of incurred but not reported claims (IBNR)	**16,145,000**	14,265,000	**901,000**	1,296,000	**17,046,000**	15,561,000
Reinsurer share of unearned premium reserve	**62,852,000**	49,627,000	**2,655,000**	3,269,000	**65,507,000**	52,896,000
Reinsurer share of mathematical reserve	**-**	-	**1,180,000**	-	**1,180,000**	-
Due from related parties	**35,458,516**	40,000,496	**285,921**	304,336	**35,744,437**	40,304,832
Other receivables and prepayments	**16,570,570**	21,871,889	**-**	-	**16,570,570**	21,871,889
Cash and bank balances	**194,228,762**	205,204,881	**8,500,000**	8,500,000	**202,728,762**	213,704,881
Total assets	**877,013,236**	864,154,810	**19,433,727**	18,601,556	**896,446,963**	882,756,366

25 SEGMENTAL INFORMATION (continued)

	General insurance		Life insurance		Total	
						Restated
	2019	2018	**2019**	2018	**2019**	2018
	AED	AED	**AED**	AED	**AED**	AED
LIABILITIES						
Due to related parties	**52,708**	78,590	**26,566**	-	**79,274**	78,590
Provision for employees' end of service indemnity	**11,134,615**	14,158,934	**-**	323,254	**11,134,615**	14,482,188
Bank borrowings	**81,313,163**	108,069,434	**-**	-	**81,313,163**	108,069,434
Insurance and other payables	**102,623,490**	97,993,605	**4,770,141**	2,359,680	**107,393,631**	100,353,285
Outstanding claims reserve	**74,110,905**	66,022,102	**2,673,756**	4,418,053	**76,784,661**	70,440,155
Incurred but not reported claims reserve	**48,350,000**	48,049,000	**957,000**	1,394,000	**49,307,000**	49,443,000
Unearned premium reserve	**199,781,000**	169,203,000	**2,543,000**	3,206,000	**202,324,000**	172,409,000
Mathematical reserve	**-**	-	**1,190,000**	-	**1,190,000**	-
Unexpired risk reserve	**-**	330,000	**-**	300,000	**-**	630,000
Unallocated loss adjustment expense reserve	**3,870,000**	2,246,000	**115,000**	108,000	**3,985,000**	2,354,000
Lease liability	**6,929,079**	-	**-**	-	**6,929,079**	-
Total liabilities	**528,164,960**	506,150,665	**12,275,463**	12,108,987	**540,440,423**	518,259,652
EQUITY						
Share capital					**230,000,000**	230,000,000
Statutory reserve					**69,628,437**	69,148,174
General reserve					**100,000,000**	100,000,000
Retained earnings					**(43,621,897)**	(34,651,460)
Total equity					**356,006,540**	364,496,714
Total liabilities and equity					**896,446,963**	882,756,366

25 SEGMENTAL INFORMATION (continued)

	General insurance		Life insurance		Total	
	2019	2018	**2019**	2018	**2019**	Restated 2018
	AED	AED	**AED**	AED	**AED**	AED
Underwriting income						
Gross premium	**397,607,730**	344,158,670	**9,580,849**	11,514,123	**407,188,579**	355,672,793
Less: reinsurance share of gross premium	**(128,171,846)**	(124,439,017)	**(9,326,333)**	(11,048,078)	**(137,498,179)**	(135,487,095)
Less: reinsurance share of ceded business premium	**(7,075,594)**	(2,108,611)	**-**	-	**(7,075,594)**	(2,108,611)
Net retained premium	**262,360,290**	217,611,042	**254,516**	466,045	**262,614,806**	218,077,087
Net change in unearned premium reserve	**(17,353,000)**	(5,269,000)	**49,000**	10,000	**(17,304,000)**	(5,259,000)
Net insurance premium	**245,007,290**	212,342,042	**303,516**	476,045	**245,310,806**	212,818,087
Commission earned	**23,036,790**	15,034,512	**40,602**	4,785,800	**23,077,392**	19,820,312
Commission incurred	**(43,998,437)**	(29,683,987)	**(829,937)**	(908,436)	**(44,828,374)**	(30,592,423)
Other operational income	**23,851,675**	37,932,655	**4,451,945**	523,329	**28,303,620**	38,455,984
Net underwriting income	**247,897,318**	235,625,222	**3,966,126**	4,876,738	**251,863,444**	240,501,960
Gross claims paid	**(239,313,333)**	(291,753,188)	**(2,378,284)**	(3,227,742)	**(241,691,617)**	(294,980,930)
Insurance claims recovered from reinsurers	**75,915,757**	131,159,423	**2,113,901**	2,851,293	**78,029,658**	134,010,716
Net claims paid	**(163,397,576)**	(160,593,765)	**(264,383)**	(376,449)	**(163,661,959)**	(160,970,214)
(Increase)/decrease in provision for outstanding claims	**(8,088,799)**	95,369,296	**1,744,297**	(1,499,471)	**(6,344,502)**	93,869,825
Decrease in reinsurer share of outstanding claims	**(12,463,345)**	(98,172,734)	**(1,525,717)**	1,348,944	**(13,989,062)**	(96,823,790)
Decrease in unexpired risk reserve	**329,000**	474,000	**300,000**	29,000	**629,000**	503,000
Decrease/(increase) in incurred but not reported claims reserve	**1,579,000**	(6,342,000)	**42,000**	(50,000)	**1,621,000**	(6,392,000)
Increase in mathematical reserve	**-**	-	**(10,000)**	-	**(10,000)**	-
(Increase)/decrease in unallocated loss adjustment expense reserve	**(1,623,000)**	505,000	**(7,000)**	(17,000)	**(1,630,000)**	488,000
Net claims incurred	**(183,664,720)**	(168,760,203)	**279,197**	(564,976)	**(183,385,523)**	(169,325,179)
Net underwriting profit	**64,232,598**	66,865,019	**4,245,323**	4,311,762	**68,477,921**	71,176,781
Net investments loss					**(14,764,668)**	(15,564,552)
Share of (losses)/profits from equity accounted investees					**(9,930,684)**	1,820,650
Reversal of expected credit loss against insurance receivables					**-**	3,549,194
Expected credit losses on due from related parties					**-**	(6,352,500)
General and administrative expenses					**(38,979,942)**	(35,726,510)
Profit for the year					**4,802,627**	18,903,063

26 CONTINGENT LIABILITIES AND COMMITMENTS

Guarantees

	2019 AED	2018 AED
Letters of guarantee	**17,943,808**	18,073,809

Contingent liabilities

The Company in common with other insurance companies, is involved as defendant in a number of legal cases in respect of its underwriting activities. A provision is made in respect of each individual case where it is probable that the outcome would result in a loss to the Company in terms of an outflow of economic resources and are liable estimate of the amount of outflow can be made.

27 DIVIDENDS

Dividend of AED 0.05 per share amounting to AED 11.5 million relating to the year ended 31 December 2018 was approved by the shareholders at the Annual General Meeting held on 16 April 2019 and paid during the year ended 31 December 2019.

During the comparative period, dividend of AED 0.05 per share amounting to AED 11.5 million relating to the year ended 31 December 2017 was approved by the shareholders at the Annual General Meeting held on 17 April 2018 and paid during the year ended 31 December 2018.

28 DIRECTORS' FEE

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

29 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:

29.1 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.

29.2 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.

29 RISK MANAGEMENT (continued)

29.3 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.

29.4 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 U.A.E. 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.

29.5 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.

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 include Liability insurance, Property insurance, Motor insurance, Fire insurance, Medical insurance, Marine insurance and Engineering insurance contracts. Life insurance contracts include Group life and Credit life insurance contracts.

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 on the next page:

29 RISK MANAGEMENT (continued)

29.5 Asset liability management (continued)

A. Insurance risks (continued)

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.

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.

29 RISK MANAGEMENT (continued)

29.5 Asset liability management (continued)

A. Insurance risks (continued)

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.

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.

29 RISK MANAGEMENT (continued)

29.5 Asset liability management (continued)

B. Financial risk

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 2019	**FVTPL**	**Amortised cost**	**Total**
Financial assets	**AED**	**AED**	**AED**
Investment in financial assets at FVTPL	**19,621,417**	**-**	**19,621,417**
Insurance receivables	**-**	**132,038,020**	**132,038,020**
Due from related parties	**-**	**35,744,437**	**35,744,437**
Other receivables (excluding prepayments)	**-**	**15,946,542**	**15,946,542**
Cash and bank balances	**-**	**202,728,762**	**202,728,762**
	19,621,417	**386,457,761**	**406,079,178**
Financial liabilities			
Due to related parties	**-**	**79,274**	**79,274**
Bank borrowings	**-**	**81,313,163**	**81,313,163**
Insurance and other payables	**-**	**107,393,631**	**107,393,631**
	-	**188,786,068**	**188,786,068**

At 31 December 2018	FVTPL	Amortised cost	Total
Financial assets	AED	AED	AED
Investment in financial assets at FVTPL	28,221,755	-	28,221,755
Insurance receivables	-	113,056,141	113,056,141
Due from related parties	-	40,304,832	40,304,832
Other receivables (excluding prepayments)	-	21,302,073	21,302,073
Cash and bank balances	-	213,704,881	213,704,881
	28,221,755	388,367,927	416,589,682
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

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. 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.

29 RISK MANAGEMENT (continued)

29.5 Asset liability management (continued)

B. Financial risk (continued)

i) Credit risk (continued)

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:

	2019	2018
Financial assets	**AED**	AED
Insurance receivables	**132,038,020**	113,056,141
Due from related parties	**35,744,437**	40,304,832
Other receivables (excluding prepayments)	**15,946,542**	21,302,073
Bank balances	**202,548,073**	213,446,790
	386,277,072	388,109,836

	Gross carrying amount	**Life-time expected credit losses**	**Expected credit loss rates**	Gross carrying amount	Life-time expected credit losses	Expected credit loss rates
		2019			2018	
	AED	**AED**		AED	AED	
Less than 90 days	**75,780,460**	**-**	**-**	46,884,585	-	-
91-180 days	**10,251,804**	**-**	**-**	18,541,496	-	-
181-270 days	**5,143,065**	**-**	**-**	9,824,416	-	-
271- 365 days	**5,681,625**	**-**	**-**	6,326,586	-	-
> 365 days	**74,407,097**	**(39,226,031)**	**-**	70,729,830	(39,250,772)	-
	171,264,051	**(39,226,031)**	**23%**	152,306,913	(39,250,772)	26%

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.

Maturity profiles

The table on the next page 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.

29 RISK MANAGEMENT (continued)

29.5 Asset liability management (continued)

B. Financial risk (continued)

ii) Liquidity risk

31 December 2019	Carrying amount AED	Contractual cash flows AED	Less than 180 days AED	180 days to 1 year AED
Liabilities				
Due to related parties	**79,274**	**79,274**	**(79,274)**	**-**
Bank borrowings	**81,313,163**	**81,313,163**	**(81,313,163)**	**-**
Insurance and other payables	**107,393,631**	**107,393,631**	**(107,393,631)**	**-**
Total Liabilities	**188,786,068**	**188,786,068**	**(188,786,068)**	**-**
31 December 2018				
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)	-

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 U.A.E 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 2019, fixed deposits carried interest rates ranging from 3% to 3.6% per annum (2018: 3% to 3.6% per annum).

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 1.99 million (2018: AED 2.11 million). Similarly increase in interest by 100 basis points would result in equal and opposite effect on profit for the year.

29 RISK MANAGEMENT (continued)

29.5 Asset liability management (continued)

B. Financial risk (continued)

iii) Market Risk (continued)

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 2019				
Fair value through profit or loss	**1,962,142**	**-**	**(1,962,142)**	**-**
31 December 2018				
Fair value through profit or loss	2,822,176	-	(2,822,176)	-

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.

30 RESTATEMENT AND RECLASSIFICATION

Restatements

(i) The Company held investments in financial assets at FVTPL which comprise the investments in funds and companies of related parties as at 31 December 2017 amounting to AED 11.65 million. Based on the management assessment, the financial position and results of operations of these investees reflected that these investments have been impaired as at that date.

(ii) The Company adopted the impairment requirements under IFRS 9 – Financial Instruments as at 1 January 2018 and booked a total ECL provision for insurance receivables and due from related parties amounting to AED 10.19 million. As per ECL model, the Company is required to assess, when determining whether the credit risk on these financial assets has increased significantly, to consider reasonable and supportable information available to determine the risk of a default occurring at the reporting date. Accordingly, as at 1 January 2018, the insurance receivables and due from related parties include balances amounting to AED 74.03 million that have objective evidence of impairment as at that date and not included in the ECL provision.

(iii) The Company recorded recovery against a claim of AED 1.41 million from a reinsurer in the year 2018. However, at a later stage, it has been identified that the claim should have been recorded as a provision for the year 2018. Double effect has been taken to relevant line items in these financial statements.

The above stated matters have now been corrected by restating each of the affected financial statement line items for the prior period.

Reclassification

Certain figures of 2018 have been reclassified in order to conform with current financial information's presentation and improve the quality of information presented. However, there is no effect on previously reported total equity, total liabilities, total assets and profit for the year, apart from the effect of above-mentioned restatements, therefore the requirement for presentation of three statements of financial position as per IAS 1 "Presentation of Financial Statements" is omitted.

30 RESTATEMENT AND RECLASSIFICATION (continued)

	2018			
	As previously recorded AED	Restatement AED	Reclassification AED	As restated and reclassified AED
UNDERWRITING INCOME				
Gross premium	355,672,793	-	-	355,672,793
Less: reinsurance share of gross premium	(135,487,095)	-	-	(135,487,095)
Less: reinsurance share of ceded business premium	(2,108,611)	-	-	(2,108,611)
Net retained premium	218,077,087	-	-	218,077,087
Net change in unearned premium reserve	(5,259,000)	-	-	(5,259,000)
Net insurance premium	212,818,087	-	-	212,818,087
Commission earned	60,051,300	-	(40,230,988)	19,820,312
Commission incurred	(30,592,423)	-	-	(30,592,423)
Other operational income	-	-	38,455,984	38,455,984
Underwriting income	242,276,964	-	(1,775,004)	240,501,960
UNDERWRITING EXPENSES				
Gross claims paid	(294,980,930)	-	-	(294,980,930)
Insurance claims recovered from reinsurers	136,830,716	(2,820,000)	-	134,010,716
Net claims paid	(158,150,214)	(2,820,000)	-	(160,970,214)
Decrease in provision for outstanding claims	93,869,825	-	-	93,869,825
Decrease in reinsurer share of outstanding claims	(96,823,790)	-	-	(96,823,790)
Decrease in unexpired risk reserve	503,000	-	-	503,000
Increase in incurred but not reported claim reserve	(6,392,000)	-	-	(6,392,000)
Increase in unallocated loss adjustment expense reserve	488,000	-	-	488,000
Net claims incurred	(166,505,179)	(2,820,000)	-	(169,325,179)
UNDERWRITING PROFIT	75,771,785	(2,820,000)	(1,775,004)	71,176,781
INVESTMENT INCOME		-	-	
Net investments loss	(17,339,556)	-	1,775,004	(15,564,552)
Share of profits from equity accounted investees	1,820,650	-	-	1,820,650
Reversal of expected credit loss against insurance receivables	3,549,194	-	-	3,549,194
Expected credit losses on due from related parties	(6,352,500)	-	-	(6,352,500)
General and administrative expenses	(35,726,510)	-	-	(35,726,510)
PROFIT FOR THE YEAR	21,723,063	(2,820,000)	-	18,903,063
Earnings per share (AED)	0.09	(0.01)	-	0.08

30 RESTATEMENT AND RECLASSIFICATION (continued)

	2018			
	As previously recorded AED	Restatement AED	Reclassification AED	As restated and reclassified AED
Profit for the year	21,723,063	(2,820,000)	-	18,903,063
Other comprehensive income for the year	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	21,723,063	(2,820,000)	-	18,903,063

30 RESTATEMENT AND RECLASSIFICATION (continued)

	2018			
	As previously recorded AED	Restatement AED	Reclassification AED	As restated and reclassified AED
ASSETS				
Property and equipment	5,929,106	-	-	5,929,106
Investment in associates	163,892,043	-	-	163,892,043
Investment in financial assets at FVTPL	39,627,729	(11,405,974)	-	28,221,755
Investment properties	180,748,509	-	-	180,748,509
Insurance receivables	131,302,311	(18,246,170)	-	113,056,141
Reinsurer share of outstanding claims	46,570,210	-	-	46,570,210
Reinsurer share of incurred but not reported claims	15,561,000	-	-	15,561,000
Reinsurer share of unearned premium reserve	52,896,000	-	-	52,896,000
Due from related parties	98,907,512	(58,602,680)	-	40,304,832
Other receivables and prepayments	21,275,895	-	595,994	21,871,889
Security deposits	595,994	-	(595,994)	-
Cash and bank balances	213,704,881	-	-	213,704,881
TOTAL ASSETS	971,011,190	(88,254,824)	-	882,756,366
EQUITY AND LIABILITIES				
Equity				
Share capital	230,000,000	-	-	230,000,000
Statutory reserve	69,430,174	(282,000)	-	69,148,174
General reserve	100,000,000	-	-	100,000,000
Retained earning	53,321,364	(87,972,724)	-	(34,651,460)
Total equity	452,751,538	(88,254,824)	-	364,496,714
Liabilities				
Due to related parties	78,590	-	-	78,590
Provision for employees' end of service indemnity	14,482,188	-	-	14,482,188
Bank borrowings	108,069,434	-	-	108,069,434
Insurance and other payables	100,353,285	-	-	100,353,285
Outstanding claims reserve	70,440,155	-	-	70,440,155
Incurred but not reported claims reserve	49,443,000	-	-	49,443,000
Unearned premium reserve	172,409,000	-	-	172,409,000
Unexpired risk reserve	630,000	-	-	630,000
Unallocated loss adjustment expense reserve	2,354,000	-	-	2,354,000
Total liabilities	518,259,652	-	-	518,259,652
TOTAL EQUITY AND LIABILITIES	971,011,190	(88,254,824)	-	882,756,366