Al Wathba National Insurance Company P.J.S.C.

Financial Statements

31 December 2019

Principal business address:
Al Wathba National Insurance Company P.J.S.C.
P.O. Box: 45154
Abu Dhabi
UAE

Al Wathba National Insurance Company P.J.S.C.

Financial Statements

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Board of Directors' Report on the Company Business
For the Period Ended 31 December 2019

The Board of Directors of Al Wathba National Insurance Company (the "Company") is pleased to submit its annual report of the Company's activities accompanied by the audited financial statements for the period ended 31 December 2019.

The United Arab Emirates' overall economic performance during the year 2019 remains positive reflecting the activities of various sectors which brought about a 2.9% real GDP growth and decreased inflation rates for the third consecutive year proving the effectiveness of the financial and economic policies formulated by the country's leadership which aims for a sustainable and diversified economy which capitalizes on global economic partnerships.

Notable factors that influenced this performance include the flexible economic diversification model adopted by the government which led to the development in key sectors such as tourism, air transport, trade, financial services, manufacturing and alternative energy in addition to strengthened partnerships between the public and private sectors.

Despite these positive conditions, a state of caution dominated the financial markets during the year where UAE stocks have been moving in a narrow zone as reflected in trading volumes and consequently the performance of stocks and investments.

For the insurance sector, it is worthwhile mentioning the Insurance Authority's role in supervising and controlling the sector in order to ensure the provision of a favorable climate for the development and promotion of the UAE insurance industry which today is ranked as the largest in the Gulf region.

However, despite the size of UAE insurance market; and with its large number of insurance and brokerage companies combined, the sector exhibited declining profitability rates nevertheless; Al Wathba National Insurance Company continued to achieve positive results in the insurance business, where it announced net underwriting profits amounting to AED 33,462 thousand dirhams for the year 2019 compared to AED 32,637 thousand, with a growth rate of 2.5%.

It is worth noting that the Insurance Authority has honored Al Wathba National Insurance Company for Excellence in Digital Transformation and Smart Services for the
the use of technology and development in completing its transactions through electronic channels which has played a major role in the manner of servicing its customers.

رأس المال المدفوع و المصرح به (٢٠٧) مليون درهم شركة خاضعة لأحكام القانون الإتحادي رقم (٦) لسنة ٢٠٠٧ في شأن إنشاء هيئة التأمين و تنظيم أعماله و مقيدة بسجل شركات التأمين الرقم (١٠)
المكتب الرئيسي : ص.ب : ٤٥١٥٤ ، أبوظبي ، أ.ع.م ، هاتف : ٤١٨٥٣٠٠ (٢) ٩٧١+ ، فاكس : ٦٧٧٦٦٢٨ (٢) ٩٧١+
Head Office : P.O. Box : 45154, Abu Dhabi, U.A.E. Tel : +971 (2) 4185300, Fax : +971 (2) 6776628
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As for the final results; the company recorded net profits of 5,967 thousand dirhams which was hugely affected by the returns on investments where equity investments experienced a slowdown due to the movement of financial markets as well as the decline in real estate investments that is currently undergoing a period of stalemate attributed to the over-availability of supply and competitive rents especially from residential units, which in turn was reflected in the expected returns.

It is also worthwhile mentioning that the company has been reaffirmed a rating of BBB- (Outlook Stable) by S&P Global Ratings which reflects confidence in the company's performance and direction.

Going Concern Basis

The Board of Directors has reasonable expectation that the Company has adequate resources and support to continue its operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2019.

Transactions with Related Parties

The financial statements disclose related party transactions and balances which are disclosed in in note 20 All transactions are carried out as part of our normal course of business and in compliance with applicable laws and regulations.

Finally, the Board of Directors seizes this opportunity to express its highest thanks and appreciation to H.H Shiekh Khalifa Bin Zayed Al Nahyan, President of UAE and Ruler of Abu Dhabi and H.H Shiekh Mohamed Bin Rashid Al Maktoum, the Vice President , Prime Minister and the ruler of Dubai and H.H Sheikh Mohammed Bin Zayed Al Nahyan, the Crown Prince and to all the rulers of the Emirates for their steadfast support for the progress of this country, all its economic institutions and Al Wathba National Insurance Company.

The Board of Directors likewise extends its appreciation and gratitude to all the company's shareholders and customers for their trust and continued support, and to all staff for their dedication and contribution to the company's performance during the last period.

Member of the Board of Directors

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Independent Auditors' Report

To the Shareholders of Al Wathba National Insurance Company PJSC

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Al Wathba National Insurance Company PJSC (the "Company") which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

Basis for Opinion

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

Key Audit Matters

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

1. Valuation of insurance contract liabilities

Refer to notes 2.4, 2.5 and 15 to the financial statements.

Insurance contract liabilities ("liabilities") comprises unearned premiums reserve, outstanding claims reserve, claims incurred but not reported reserve ("IBNR"), allocated and unallocated loss adjustment expense reserve and unexpired risk reserve. Valuation of these liabilities involves significant judgment, and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have incurred but not reported to the Company. IBNR is calculated by an independent qualified external actuary for the Company.

Key Audit Matters (continued)

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

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

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

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

- evaluating and testing of key controls around the claims handling and case reserve setting processes of the Company. Examining evidence of the operation of controls over the valuation of individual reserve for outstanding claims and consider if the amounts recorded in the financial statements are valued adequately;
- testing the completeness and accuracy of the underlying data used in the estimation of liabilities;
- obtaining an understanding of and assessing the methodology and key assumptions applied by management. Independently re-projecting the liabilities balance for certain classes of business;
- assessing the experience and competence of the Company's actuary and degree of challenge applied through the reserving process;
- checking sample of reserves for outstanding claims through comparing the estimated amount of the reserves for outstanding claims to appropriate documentation, such as reports from loss adjusters; and
- assessing the Company's disclosure in relation to these liabilities including the appropriateness of the claims development table.

2. Insurance balances receivable

Refer to notes 2.4, 2.5 and 7 to the financial statements.

The Company has significant insurance balances receivable against written premium policies. There is a risk over the recoverability and impairment of these receivables.

Key Audit Matters (continued)

2. Insurance balances receivable *(continued)*

The Company has applied the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the insurance balances receivable. Under the simplified approach the provision combines the historical loss rate with forward-looking assumptions, along with other factors, taken into account.

There are a number of significant judgments which are required in measuring the Expected Credit Losses ('ECL') under IFRS 9 including:

- factoring in future economic assumptions.
- techniques used to determine the Probability of Default ('PD'), Exposure at Default ('EAD') and Loss Given Default ('LGD').

Our response: Our procedures on the recoverability and impairment of insurance balances receivable included evaluating and testing key controls over the processes designed to record and monitor insurance receivables:

- testing the ageing of insurance balances receivable to assess if these have been accurately determined;
- obtaining balance confirmations from the respective counterparties such as policyholders, insurance companies and brokers and performing alternate procedures where no response to confirmation was received;
- verifying payments received from such counterparties post year-end;
- obtaining an understanding of the Company's process for estimating the ECL;
- We reviewed the computation of PDs using the flow rate approach for insurance balances receivable; and
- performed a recalculation of the loss rate for different aging buckets.

3. Valuation of investment properties

Refer to notes 9, 2.4 and 2.5 to the financial statements.

The valuation of investment properties is determined through the application of valuation techniques which often involve the exercise of judgment and the use of assumptions and estimates. Due to the significance of investment properties and the related estimation uncertainty, this is considered a key audit matter. Investment properties are held at fair value through profit or loss in the Company's statement of financial position as at 31 December 2019.

Key Audit Matters (continued)

3. Valuation of investment properties *(continued)*

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

- we assessed the competence, qualification, independence and integrity of the external valuers and read their terms of engagement with the Company to determine whether there were any matters that might have affected their objectivity or may have imposed scope limitations on their work;

- we obtained the external valuation reports for all properties and confirmed that the valuation approach is in accordance with Royal Institute of Chartered Surveyors' (RICS) standards and is suitable for use in determining the fair values;

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

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

Other matter

The financial statements as of and for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified audit opinion on those financial statements on 26 March 2019.

Other Information

Management is responsible for the other information. The other information comprises the Directors' report which we obtained prior to the date of the auditors' report and we expect to obtain the remaining sections of the Company's 2019 Annual Report after the date of our auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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.

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

iii) the Company has maintained proper books of account;

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

Report on Other Legal and Regulatory Requirements (continued)

v) as disclosed in notes 4 and 5 to the financial statements, the Company has purchased shares during the year ended 31 December 2019;

vi) note 20 to the financial statements discloses material related party transactions and the terms under which they were conducted;

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

viii) the Company has not made any social contributions 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 explanations we considered necessary for the purposes of our audit.

KPMG Lower Gulf Limited

Saif Fayez Shawer
Registration No: 1131
Abu Dhabi, United Arab Emirates
Date: 29 March 2020

Al Wathba National Insurance Company (PJSC)

STATEMENT OF FINANCIAL POSITION
As at 31 December

	Notes	2019 AED'000	2018 AED'000
ASSETS			
Property and equipment	11	**5,282**	4,387
Investment in associates	10	**107,595**	159,399
Financial assets at amortised cost	6	**14,368**	9,000
Financial assets at fair value through other comprehensive income	4	**346,585**	267,865
Financial assets at fair value through profit or loss	5	**424,537**	466,488
Investment properties	9	**307,469**	328,475
Investment property under development	8	**9,394**	8,921
Statutory deposit	3	**6,000**	6,000
Insurance balances receivable	7	**49,059**	61,964
Reinsurers' share of unearned premiums reserve	15	**28,002**	27,699
Reinsurers' share of outstanding claims reserve	15	**118,302**	89,660
Reinsurers' share of claims incurred but not reported reserve	15	**9,977**	7,808
Prepayments and other receivables	7	**8,248**	6,584
Deposits	3	**91,544**	94,125
Bank balances and cash	3	**43,206**	26,785
TOTAL ASSETS		**1,569,568**	1,565,160
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**207,000**	207,000
Legal reserve	13	**103,500**	103,500
Statutory reserve	13	**51,750**	51,750
General reserve	13	**88,753**	81,185
Capital reserve	13	**9,959**	9,959
Investment revaluation reserve		**(95,122)**	(31,227)
Retained earnings		**400,019**	428,979
Equity attributable to equity holders of the Company		**765,859**	851,146
Non-controlling interests		**-**	77
Total equity		**765,859**	851,223
LIABILITIES			
Employees' end of service benefits	19	**7,316**	6,859
Bank overdrafts	3	**386,619**	313,875
Trade and other payables	18	**75,370**	83,228
Technical reserves			
Unearned premiums reserve	15	**119,545**	133,770
Outstanding claims reserve	15	**171,815**	141,283
Claims incurred but not reported reserve	15	**36,177**	31,567
Allocated and unallocated loss adjustment expenses reserve	15	**4,373**	3,355
Unexpired risk reserve	15	**2,494**	-
TOTAL LIABILITIES		**803,709**	713,937
TOTAL EQUITY AND LIABILITIES		**1,569,568**	1,565,160

To the best of our knowledge, the financial statements fairly presents, in all material respects, the financial position, results of operation and cash flows of the Company as of, and for the year ended 31 December 2019.

The attached notes from 1 to 32 form part of these financial statements.

The independent auditor's report on audit of financial statements is set out on pages 3 to 9.

Board Member | Chief Executive Officer | Chief Financial Officer

STATEMENT OF PROFIT OR LOSS
For the year ended 31 December

	Notes	2019 AED'000	2018 AED'000
Gross premiums written	28.1	**250,030**	271,162
Reinsurance share of ceded premiums	28.1	**(86,202)**	(93,495)
Net premiums written		**163,828**	177,667
Net change in unearned premiums reserve	28.1	**14,528**	(22,706)
Net premium earned		**178,356**	154,961
Commission earned		**28,767**	29,594
Commission incurred		**(32,304)**	(32,009)
Gross underwriting income		**174,819**	152,546
Gross claims paid		**(136,838)**	(115,375)
Reinsurance share of claims paid		**41,511**	41,887
Net claims paid		**(95,327)**	(73,488)
Change in outstanding claims reserve		**(30,532)**	28,390
Change in reinsurance share of outstanding claims reserve		**28,642**	(34,934)
Increase in incurred but not reported claims reserve		**(2,441)**	(1,422)
(Increase) / decrease in unallocated loss adjustment expense reserve		**(1,018)**	177
(Increase) / decrease in unexpired risk reserve		**(2,494)**	-
Net claims incurred	28.1	**(103,170)**	(81,277)
Underwriting income		**71,649**	71,269
Other income relating to underwriting		**4,788**	2,508
General and administrative expenses relating to underwriting	21	**(36,105)**	(40,653)
Allowance for expected credit losses – net		**(6,870)**	(487)
Net underwriting income		**33,462**	32,637
Income / (loss) from investments	22	**9,671**	(116)
Income from investment properties (rental income)	9	**7,153**	7,291
Share of (loss) / profit from associates	10	**(21,803)**	17,718
Total income		**28,483**	57,530
Other expenses	21	**(4,162)**	(3,107)
Board of directors' remuneration		**(630)**	-
Finance costs		**(17,724)**	(10,638)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**5,967**	43,785
DISCONTINUING OPERATIONS			
Loss for the year	29	**-**	(1,127)
PROFIT FOR THE YEAR		**5,967**	42,658
Attributable to:			
Equity holders of the Company		**5,967**	42,669
Non-controlling interests		**-**	(11)
		5,967	42,658
Basic and diluted earnings per share (AED)	24	**0.03**	0.21

The attached notes from 1 to 32 form part of these financial statements.

The independent auditor's report on audit of financial statements is set out on pages 3 to 9

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2019 AED'000**	2018 AED'000
Profit for the year		**5,967**	42,658
Other comprehensive loss			
Items that will not be reclassified to statement of profit or loss:			
Share of other comprehensive (loss) / income of associates	10	**(25,376)**	1,102
Gain on sale of financial assets at fair value through other comprehensive income		**7,112**	11,506
Changes in fair value relating to financial assets at fair value through other comprehensive income, net	4	**(41,940)**	(19,715)
Board of directors' remuneration		**-**	(4,050)
Other comprehensive loss for the year		**(60,204)**	(11,157)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE YEAR		**(54,237)**	31,501
Attributable to:			
Equity holders of the Company		**(54,237)**	31,512
Non-controlling interests		**-**	(11)
		(54,237)	31,501

The attached notes from 1 to 32 form part of these financial statements.

The independent auditor's report on audit of financial statements is set out on pages 3 to 9.

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December

	Attributable to the equity holders									
	Share capital AED 000	*Legal reserve AED 000*	*Statutory reserve AED 000*	*General reserve AED 000*	*Capital reserve AED 000*	*Investment revaluation reserve AED 000*	*Retained earnings AED 000*	*Total AED 000*	*Non-controlling interests AED 000*	*Total equity AED 000*
Balance at 1 January 2018	207,000	103,500	51,750	44,476	9,959	(2,736)	436,735	850,684	88	850,772
Profit for the year	-	-	-	-	-	-	42,669	42,669	(11)	42,658
Other comprehensive (loss) / income for the year	-	-	-	-	-	(18,613)	7,456	(11,157)	-	(11,157)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(18,613)	50,125	31,512	(11)	31,501
Transfer from retained earnings to general reserve (*note 13*)	-	-	-	36,709	-	-	(36,709)	-	-	-
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	(9,878)	9,878	-	-	-
Dividend paid (*note 12*)	-	-	-	-	-	-	(31,050)	(31,050)	-	(31,050)
Balance at 31 December 2018	207,000	103,500	51,750	81,185	9,959	(31,227)	428,979	851,146	77	851,223
Balance at 1 January 2019	207,000	103,500	51,750	81,185	9,959	(31,227)	428,979	851,146	77	851,223
Profit for the year	-	-	-	-	-	-	5,967	5,967		5,967
Other comprehensive (loss) / income for the year	-	-	-	-	-	(67,316)	7,112	(60,204)	-	(60,204)
Total comprehensive (loss) / income for the year	-	-	-	-	-	(67,316)	13,079	(54,237)		(54,237)
Transfer from retained earnings to general reserve (*note 13*)	-	-	-	7,568	-	-	(7,568)	-	-	-
Transfer to retained earnings on disposal of financial assets at fair value through other comprehensive income	-	-	-	-	-	3,421	(3,421)	-	-	-
Net Changes in non-controlling interest									(77)	(77)
Dividend paid (*note 12*)	-	-	-	-	-	-	(31,050)	(31,050)	-	(31,050)
Balance at 31 December 2019	**207,000**	**103,500**	**51,750**	**88,753**	**9,959**	**(95,122)**	**400,019**	**765,859**	**-**	**765,859**

The attached notes from 1 to 32 form part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December

	Notes	***2019 AED'000***	*2018 AED'000*
Cash flow from operating activities			
Profit for the year		**5,967**	42,658
Adjustments for:			
Unearned premium reserve, net		**(14,528)**	22,706
Change in gross outstanding claims and claims incurred but not reported reserves		**38,654**	(29,014)
Change in reinsurance share of outstanding claims and claims incurred but not reported reserves		**(30,811)**	36,803
Provision for allowance of impaired receivables, net of reversals		**6,870**	487
Provision for reinsurance ceded		**431**	-
Write-off of old fund in bank		**143**	-
Write-back of old accounts		**(1,980)**	-
Change in fair value of financial assets at fair value through profit or loss	*5 & 22*	**26,519**	15,948
Gain on disposal of financial assets at fair value through profit or loss	*22*	**(28,675)**	(7,165)
Provision for employees end of service benefits	*19*	**825**	731
Gain on disposal of property and equipment		**(35)**	(190)
Depreciation of property and equipment	*11 & 21*	**1,210**	1,159
Share of loss / (profit) of associates	*10*	**21,803**	(17,718)
Changes in fair value of investment properties	*9 & 22*	**21,006**	25,236
Finance costs		**17,724**	10,638
Dividend income	*22*	**(34,074)**	(39,316)
Interest income	*22*	**(376)**	(814)
Cash flow from operating activities before working capital		**30,673**	62,149
Working capital changes:			
Insurance balances receivable, prepayments and other receivables		**6,134**	(11,840)
Trade and other payables		**(8,366)**	(3,975)
Cash generated from operations		**28,441**	46,334
Employees' end of service benefits paid	*19*	**(368)**	(1,557)
Net cash from operating activities		**28,073**	44,777
Cash flow from investing activities			
Purchase of property and equipment	*11*	**(2,105)**	(1,433)
Proceeds from disposal of property and equipment		**35**	335
Additions to investment property under development	*8*	**(473)**	(4,378)
Purchase of financial assets at fair value through profit or loss	*5*	**(322,734)**	(85,331)
Proceeds from disposal of financial assets at fair value through profit or loss		**366,841**	33,767
Purchase of financial assets at fair value through other comprehensive income	*4*	**(163,605)**	(138,684)
Proceeds from disposal of financial assets at fair value through other comprehensive income		**50,057**	41,615
Purchase of financial assets at amortised cost		**(5,000)**	(4000)
Term deposits		**2,438**	(34,656)
Interest received		**225**	814
Dividends received from associates	*10*	**4,625**	7,426
Dividends received	*22*	**34,074**	39,316
Net cash used in investing activities		**(35,622)**	(145,209)
Cash flow from financing activities			
Dividends paid		**(31,050)**	(31,050)
Finance costs paid		**(17,724)**	(10,638)
Net cash used in financing activities		**(48,774)**	(41,688)
Net decrease in cash and cash equivalents		**(56,323)**	(142,120)
Cash and cash equivalents at the beginning of the year		**(287,090)**	(144,970)
Cash and cash equivalents at the end of the year	*3*	**(343,413)**	(287,090)

The attached notes from 1 to 32 form part of these financial statements.

The independent auditor's report on audit of financial statements is set out on pages 3 to 9.

1 GENERAL INFORMATION

Al Wathba National Insurance Company PJSC (the "Company"), incorporated in Abu Dhabi is registered as a public shareholding company in accordance with the UAE Federal Law No. (8) of 1984 (as amended). The Federal Law No. (2) of 2015, concerning Commercial Companies has come into effect from 1 July 2015, replacing the existing Federal Law No. (8) of 1984.

The Company is registered in accordance with UAE Federal Law No. (6) of 2007 Concerning the Establishment of Insurance Authority and Organisation of its Operations and Insurance Authority Board Decision No. (25) of 2014 Pertinent to Financial Regulations for Insurance Companies, and is registered in the Insurance Companies Register under registration No. 10.

The Company's principal activity is the transaction of general insurance and re-insurance business of all classes. The Company operates through its head office in Abu Dhabi and branch offices in Dubai, Al Ain, and Sharjah. The Company is domiciled in the United Arab Emirates and its registered head office is P.O. Box 45154, Abu Dhabi, United Arab Emirates.

The Company's ordinary shares are listed in the Abu Dhabi Securities Exchange.

2.1 BASIS OF PREPARATION

The financial statements are prepared under the historical cost convention as modified for re-measurement of investment securities and investment properties at fair value.

The financial statements have been prepared in accordance with International Financial Reporting Standards and applicable requirements of UAE Federal Law No. (2) of 2015, UAE Federal law No. (6) of 2007 and Insurance Authority Board Decision No. (25) of 2014.

The financial statements are presented in United Arab Emirates Dirhams (AED) being the functional currency of the Company.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. Income and expenses will not be offset unless required or permitted by any accounting standard or interpretation.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position (current) and more than 12 months after the statement of financial position date (non-current) is presented in note 26.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

The Company initially applied IFRS 16 *'Leases'* from 1 January 2019. A number of other new standards are also effective from 1 January 2019, but they do not have a material effect on the Company's financial statements.

IFRS 16 *'Leases'* (effective 1 January 2019)

IFRS 16 introduces significant changes to lessee accounting. It removes the distinction between operating and finance leases under IAS 17 and requires a lessee to recognise a right-of-use asset and a lease liability at lease commencement for all leases, except for short term leases and leases of low value assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 '*Leases*' (effective 1 January 2019) (continued)

The Company applied IFRS 16 'Leases' using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under IAS 17 'Leases' and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under *IFRIC 4 Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, under IFRS 16.

(b) As a lessee

As a lessee, the Company leases properties. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

i. Significant accounting policies

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

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 rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii. Transition

Previously, the Company classified property leases as operating leases under IAS 17 'Leases'. These include branches of the Company. The leases typically run for a period of 1 year. Some leases include an option to renew the lease for an additional 1 year after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

IFRS 16 *'Leases'* (effective 1 January 2019) (continued)

At transition, for leases classified as operating leases under IAS 17 'Leases', lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments

(b) As a lessee

The Company used the following practical expedients when applying IFRS 16 'Leases' to leases previously classified as operating leases under IAS 17 'Leases':

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term and some leases of low value items;

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The Company leases out its investment property. The Company has classified these leases as operating leases.

The accounting policies applicable to the Company as a lessor are not different from those under IAS 17. However, when the Company is an intermediate lessor the sub-leases are classified with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

The Company is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

(d) Impact on financial statements

On transition to IFRS 16, the Company has applied recognition exemption for leases with less than 12 months of lease term at transition and leases for low value items.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019.

As a result of initially applying IFRS 16, there is no significant impact on the financial statements of the Company.

2.3 SIGNIFICANT ACCOUNTING POLICIES

Insurance contract

Classification

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.

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 due to occurrence of the insured event as compared to the non - occurrence. 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.

Premiums

Gross premiums written reflect amounts recognised during the year to policyholders or other insurers for insurance contracts, and exclude any fees and other amounts calculated based on premiums. These are recognised when the underwriting process is complete.

Premiums include any adjustments in respect of business written in prior accounting periods. The earned portion 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 provision

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a reserve for unearned premiums.

Unexpired risk reserve

Unexpired risk reserve represents the portion of the premium subsequent to the financial statement date and where the premium is expected to be insufficient to cover anticipated claims, expenses and a reasonable profit margin.

Provision for premium deficiency / liability adequacy test

Provision is made for premium deficiency arising from insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position 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. This reserve is recorded under the heading of unearned premium reserve in the financial statements.

Claims

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 expenses 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.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance contract (continued)

Reinsurance

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

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 contract assets.

Reinsurance contract assets are assessed for impairment at each statement of financial position date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the Company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in statement of profit or loss in the period in which they are incurred.

Commission earned

Commission earned are recognised as revenue over the period in which the related services are performed.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

Insurance contract liabilities

Insurance contract liabilities include claims incurred but not reported (IBNR), premium deficiency reserve (PDR), outstanding claims (OSLR), provision for unearned premium (UPR), provision for unexpired risk reserve (URR) and the provision for allocated and unallocated loss adjustment expenses (ALAE/ULAE).

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. Unearned premiums are calculated on a time proportion basis over the effective period of the policy. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums. The Company provides unearned premium reserve based on actual terms of the policy.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance Contract (continued)

Insurance contract liabilities (continued)

The liability relating to IBNR, ALAE/ULAE and PDR reserve is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

The reinsurers' portion towards the above contract liabilities is classified as reinsurance contract assets in the financial statements.

Revenue - non insurance
Revenue is measured at the fair value of the consideration received or receivable in the normal course of business.

Rental income

Rental income from investment properties is recognised on a straight-line basis over the term of the lease and is stated net of related expenses.

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable.

Dividend income

Dividend income is recognised when the right to receive dividend is established. Usually this is the ex-dividend date for equity securities.

Investment income

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial asset or liability are recognised as an adjustment to the effective interest rate of the instrument.

Investment income also includes dividends when the right to receive payment is established.

Realised and unrealised gain

Net gains / losses on financial assets classified at fair value through profit or loss and fair value through other comprehensive income are described under the accounting policy for financial assets and liabilities.

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

Financial assets
Financial assets are classified in their entirety on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the investments. Financial assets are measured either at amortised cost or fair value.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial asset (continued)

Debt instruments are measured at amortised cost only if:

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

If either of the two criteria is not met the financial instrument is classified at fair value through profit or loss. Further, even if the asset meets the amortised cost criteria, the Company may choose at initial recognition to designate the financial asset as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch. Interest and dividends income on financial assets classified as fair value through profit or loss are included in ‘interest income’ and ‘dividend income’ in the statement of profit or loss.

Investments in equity instruments are classified and measured at fair value through profit or loss except if the equity investment is not held for trading and is designated by the Company at fair value through other comprehensive income. If the equity investment is designated at fair value through other comprehensive income, all gains and losses, except for dividend income recognised as income in the statement of profit or loss and other comprehensive income when the right of payment has been established except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

Impairment of financial assets at amortised cost

The Company recognises a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortised cost, insurance receivables and bank balances including term deposits. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

ECL for bank balances, term deposits and debt instruments at amortised cost are determined using the low credit risk expedient, and therefore recognised a 12 month ECL, as they are held with reputable financial institutions. The Company considers a financial asset to have low credit risk when the asset has external credit rating of ‘investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ‘performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company always recognises lifetime ECL for insurance receivables. The ECL on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument.

Definition of default:

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets at amortised cost (continued)

Write-off policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of insurance receivables, when the amounts are long past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses:

The measurement of ECL is a function of the probability of default (PD), loss given default (LGD) (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. There is no discounting effect on the insurance receivables as these are interest free and has a contractual maturity of less than one year.

Derecognition of financial assets

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

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences are taken to the statement of profit or loss.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of assets along with their comparatives are, as follows:

Building	20 years
Furniture and fixtures	2-4 years
Motor vehicles	4 years
Computer equipment	4 years

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

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

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

Investment in associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company’s investments in its associates is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The statement of profit or loss reflects the Company’s share of the results of operations of the associates. Any change in other comprehensive income of those investees is presented as part of the Company’s other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company’s share of profit or loss from an associate is shown on the face of the statement of profit or loss. The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss.

On acquisition of the investment in an associate, any difference (whether positive or negative) between the cost of acquisition and the investor's share of the fair values of the net identifiable assets of the associate is accounted for as goodwill (negative goodwill) in accordance with IFRS 3 Business Combinations

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the assets’ or cash-generating units’ recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset’s recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Fair value measurement

The Company measures financial instruments, such as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss and non-financial assets such as investment properties, at fair value at each reporting date.

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

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

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

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

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

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 27.

External valuers are involved for valuation of significant assets, such as investment properties. Selection criteria for valuers include market knowledge, reputation, independence and whether professional standards are maintained. The management decides, after discussions with the Company's external valuers, which valuation techniques and inputs to use for each case.

Management, in conjunction with the Company's external valuers, also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

Cash and cash equivalents

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and could be reliably measured.

2.3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefits

The Company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the Company makes contributions to the Abu Dhabi Pension and Retirement Fund calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Judgments

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

Classification of investments

Management designates at the time of acquisition of securities whether these should be classified as at fair value through other comprehensive income, fair value through profit or loss or amortised cost. In judging whether investments in securities are as at fair value through other comprehensive income, fair value through profit or loss or amortised cost, management has considered the detailed criteria for determination of such classification as set out in IFRS 9 Financial Instruments. Management is satisfied that its investments in securities are appropriately classified.

Fair value of financial instruments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimation uncertainty

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

Provision for incurred but not reported claims (IBNR)

Estimates are made for the expected ultimate cost of claims incurred but not yet reported at the reporting date (IBNR). It can take a significant period of time before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by an independent qualified consultant using the chain ladder and Bornhuetter-Ferguson actuarial techniques. The main assumption underlying those techniques are that the Company's past claims development experience which can be used to project future claims development and hence ultimate claims cost.

The carrying value of IBNR (net of related reinsurance receivable) at the statement of financial position date is AED 26.2 million *(2018: AED 23.8 million)*.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of accounts receivable

The Company assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. If the credit risk on the financial asset has increased significantly since initial recognition, loss allowance equal to the lifetime ECL is recognised and if the credit risk on the financial asset has not increased significantly since initial recognition, loss allowance equal to the 12 months ECL is recognised.

For insurance balances and other receivables, the Company applies the simplified approach permitted by IFRS 9 which requires expected credit lifetime losses to be recognised from initial recognition of receivables. The expected loss rates are based on the historical credit losses experienced by assessing the payment profiles of sales. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the liability of the counterparties to settle the receivable. Insurance balances and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the probability of insolvency or significant financial difficulties of the debtor. Impaired debts are derecognised when they are assessed as uncollectible.

Loss allowances for other financial assets are deducted from the gross carrying amount of the assets.

Other estimates

Provision for unearned premium reserve and unexpired risk reserve

Unearned premium reserve (UPR) includes unexpired risk reserve (URR), which is estimated using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The carrying value at the statement of financial position date of UPR and URR reserve (net of related reinsurance assets) is AED 94.0 million *(2018: AED 106.1 million).*

Provision for outstanding claims

Considerable judgment by management is required in the estimation of amounts due to contract holders arising from claims made under insurance contracts. Such estimates are necessarily based on significant assumptions about several factors involving varying, and possible significant, degrees of judgment and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated liabilities. The Company generally estimates its claims based on previous experience. Claims requiring court or arbitration decisions are estimated individually. Independent loss adjusters along with the Company's internal legal counsel normally estimate such claims.

The carrying value of provision for outstanding claims (net of related reinsurance receivables) at the statement of financial position date is AED 57.9 million *(2018: AED 55.0 million)*. Further, the Company has made a provision of AED 14.0 million *(2018: AED 18.1 million)* in respect of claims requiring court or arbitration decisions.

Estimation of fair value of investment properties

The fair value of investment properties is determined by independent real estate valuation consultants based on Comparative Method of Valuation method.

Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual values realised.

2.4 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Other estimates (continued)

Estimation of fair value of investment properties (continued)

Under the Comparative Method of Valuation the fair value is determined by considering recent prices of similar properties in the same location and similar conditions, with adjustments to reflect any changes in the nature, location or economic conditions since the date of the transactions that occurred at those prices.

As a result of the fair value assessment, there was a decrease in fair value of AED 21.0 million *(2018: AED 25.2 million)* recognised in the statement of profit or loss for the year.

2.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach); and
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

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

The following amended standards and interpretations are not expected to have a significant impact on the Company's financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3); and
- Definition of Material (Amendments to IAS 1 and IAS 8).

3 CASH AND CASH EQUIVALENTS

	2019	*2018*
	AED'000	*AED'000*
Bank balances and cash	**43,206**	26,785
Statutory deposit	**6,000**	6,000
Term deposits	**91,544**	94,125
Bank balances and cash	**140,750**	126,910
Less: bank overdrafts	**(386,619)**	(313,875)
Less: term deposits with original maturity over 3 months	**(91,544)**	(94,125)
Less: statutory deposits	**(6,000)**	(6,000)
Cash and cash equivalents	**(343,413)**	(287,090)

Geographical concentration of cash and bank balances including bank overdrafts is as follows:

	2019	*2018*
	AED'000	*AED'000*
Within UAE	**(245,869)**	(186,965)

Term deposits are held with financial institutions in UAE, with an original maturity of twelve months. Interest is receivable at annual rates ranging from 0.85 % to 6.00% per annum *(2018: 0.85% to 6.00% per annum)*.

In accordance with the requirements of UAE Federal Law No. 6 of 2007, on Establishment of Insurance Authority and Organisation of its Operations, the Company maintains a bank deposit of AED 6 million *(2018: AED 6 million)* which cannot be utilised without the consent of the UAE Insurance Authority.

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Company's financial assets at fair value through other comprehensive income at the end of the reporting period are detailed below.

	2019	*2018*
	AED'000	*AED'000*
Quoted securities	**323,547**	240,254
Unquoted securities	**23,038**	27,611
	346,585	267,865

Certain securities are registered in the name of a director for the beneficial interest of the Company. The fair value of these securities as at 31 December 2019 was AED 12.8 million (*2018: AED 13.2 million*) *(refer note 20).*

4 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

The movement in financial assets at fair value through other comprehensive income during the year is as follows:

	2019 AED'000	*2018 AED'000*
Balance at 1 January	**267,865**	179,005
Additions	**163,605**	138,684
Disposals	**(42,945)**	(30,109)
Change in fair value	**(41,940)**	(19,715)
Balance at 31 December	**346,585**	267,865

The geographical distribution of financial assets at fair value through other comprehensive income is as follows:

	2019 AED'000	*2018 AED'000*
Within UAE	**342,604**	260,140
Outside UAE	**3,981**	7,725
	346,585	267,865

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss consist of quoted equities in UAE stock exchanges.

The movement in financial assets at fair value through profit or loss is as follows:

	2019 AED'000	*2018 AED'000*
Balance at 1 January	**466,488**	423,707
Additions	**322,734**	85,331
Disposals	**(338,166)**	(26,602)
Change in fair value (*note 22*)	**(26,519)**	(15,948)
Balance at 31 December	**424,537**	466,488

6 FINANCIAL ASSETS AT AMORTISED COST

Included in financial assets at amortised cost are two listed five-year sukuks with a total amount of AED 9 million which carry profit of 6 - month EIBOR + 300 bps or 7.5%, whichever is higher and one perpetual bond amounting to AED 5 million which carries profit of 8.25% *(2018: Two five-year sukuks amounting to AED 9 million)* having an accrued profit of AED 0.37 million.

7 INSURANCE RECEIVABLES AND PREPAYMENTS

	2019	*2018*
	AED'000	*AED'000*
Due from policyholders and brokers	**37,863**	49,671
Due from policyholders – related parties *(note 20)*	**16,002**	16,208
Due from insurance and reinsurance companies	**15,201**	9,755
	69,066	75,634
Less: allowance for expected credit losses	**(20,007)**	(13,670)
Insurance balances receivable	**49,059**	61,964
Prepayments	**2,773**	943
Accrued income	**1,365**	1,907
Other receivables	**4,110**	3,734
Prepayments and other receivables	**8,248**	6,584
	57,307	68,548

As at 31 December, the ageing analysis of insurance balance receivables is as follows:

	2019	*2018*
	AED'000	*AED'000*
Less than 30 days	**11,626**	10,383
30 - 90 days	**7,437**	18,395
91 - 180 days	**14,396**	23,016
More than 181 days	**35,607**	23,840
Insurance balances receivable	**69,066**	75,634

7 INSURANCE RECEIVABLES AND PREPAYMENTS (continued)

The movement in the allowance for expected credit loss is as follows:

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**13,670**	20,302
Charge for the year	**12,499**	6,160
Reversed during the year	**(5,629)**	(5,673)
Written off during the year	**(533)**	(7,119)
At 31 December	**20,007**	13,670

8 INVESTMENT PROPERTY UNDER DEVELOPMENT

	2019 ***AED'000***	*2018* *AED'000*
At 1 January	**8,921**	4,543
Additions during the year	**473**	4,378
At 31 December	**9,394**	8,921

During 2017, the Company decided to construct a new residential tower on a plot of land located in Dubai which is expected to be completed in 2020.

9 INVESTMENT PROPERTIES

	Note	*Land* *AED '000*	*Buildings* *AED '000*	*Total* *AED'000*
2019				
At 1 January 2019		**85,000**	**243,475**	**328,475**
Changes in fair value	*22*	**(6,142)**	**(14,864)**	**(21,006)**
At 31 December 2019		**78,858**	**228,611**	**307,469**
2018				
At 1 January 2018		91,534	262,177	353,711
Changes in fair value	*22*	(6,534)	(18,702)	(25,236)
At 31 December 2018		85,000	243,475	328,475

9 INVESTMENT PROPERTIES (continued)

Investment properties include:

(i) Abu Dhabi Head Office building

This property is located in Abu Dhabi and is available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 161.09 million *(2018: AED 170.25 million).*

(ii) Al Jumeirah Island Commercial villas

This property consists of five villas in Dubai available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 20.99 million (*2018: AED 25.30 million*).

(iii) Al Nakheel flat

This property is located at Al Nakheel building, The Greens; Dubai, and is available for letting to third parties. The fair value of this property is estimated by an external RICS certified appraiser at AED 1.35 million (*2018: AED 1.50 million*).

(iv) Land in Dubai Technology, Electronic, Commerce and Media Free Zone Authority

The freehold land in Dubai was purchased in 2004. The fair value of this plot of land in Dubai is estimated by an external RICS certified appraiser at AED 78.86 million (*2018: AED 85 million*).

(v) New York residential condominium units

Three condominium units, being unit no.'s 11D, 14A and 14B located in New York, United States of America. The fair value of these properties are estimated by an external RICS certified appraiser at AED 45.17 million (*2018: AED 46.43 million).*

The property rental income earned by the Company from its investment properties, part of which is leased out under operating leases and the direct operating expenses arising on the investment properties are as follows:

	2019	*2018*
	AED'000	*AED'000*
Rental income	**11,685**	12,323
Direct operating expenses	**(4,532)**	(5,032)
	7,153	7,291

The fair value of the Company's investment properties as at 31 December 2019 and 2018 has been arrived by management by reference to valuations carried out on the respective dates by independent valuers not related to the Company. The independent valuers have appropriate qualifications and recent experience in the valuation of properties in the relevant locations.

The fair value of land and buildings was determined based on the market comparable, income and residual value approach. The fair value reflects recent transaction prices for similar properties or quotes/bid prices for same or similar assets. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

10 INVESTMENT IN ASSOCIATES

Details of the Company's associates as of 31 December are as follows:

Name of the associate	*Principal activities*	*Place of incorporation*	***2019 Ownership interest %***	*2018 Ownership interest %*
Vision Insurance SAOC	Insurance business	Sultanate of Oman	**17.53%**	17.53%
UR International Insurance	Insurance business	Iraq	**40.00%**	40.00%
FOODCO Holding PJSC	Import and distribution of food stuff	United Arab Emirates	**22.81%**	22.81%

The movement on investment in associates during the year is as follows:

	2019 AED'000	*2018 AED'000*
At 1 January	**159,399**	148,005
Share of (loss) / profit for the year	**(21,803)**	17,718
Share of other comprehensive (loss) / income of associates	**(25,376)**	1,102
Less: cash dividend received	**(4,625)**	(7,426)
At 31 December	**107,595**	159,399

The ownership interest in Vision Insurance SAOC is 17.53%. The investment continues to be classified as an investment in associate, as significant influence exists as a result of having a representation on the board of directors of the investment. The Company's CEO and one Director are on the board of directors of the associate.

10 INVESTMENT IN ASSOCIATES (continued)

The summarised financial information in respect of the Company's associates is set out below:

	FOODCO Holding PJSC AED'000	*Vision Insurance SAOC AED'000*	*UR International Insurance AED'000*	*Total AED'000*
2019				
Total assets	**1,011,097**	**594,474**	**24,394**	**1,629,965**
Total liabilities	**(681,066)**	**(453,405)**	**(5,451)**	**(1,139,922)**
Net assets	**330,031**	**141,069**	**18,943**	**490,043**
Company's share of associates' net assets	**75,294**	**24,724**	**7,577**	**107,595**
Total revenue	**232,708**	**72,758**	**4,585**	**310,051**
(Loss) / profit for the year	**(103,108)**	**11,589**	**2,387**	**(89,132)**
Company's share of associates' (loss) / profit for the year	**(24,789)**	**2,031**	**95**	**(21,803)**
2018				
Total assets	1,031,407	588,183	23,180	1,642,770
Total liabilities	(467,181)	(454,625)	(5,015)	(926,821)
Net assets	564,226	133,558	18,165	715,949
Company's share of associates' net assets	128,725	23,407	7,267	159,399
Total revenue	392,755	85,302	5,224	483,281
Profit for the year	64,671	12,929	2,131	79,731
Company's share of associates' profit for the year	14,600	2,265	853	17,718

11 PROPERTY AND EQUIPMENT

	Building and land AED'000	*Furniture and fixtures AED'000*	*Motor vehicles AED'000*	*Computer equipment AED'000*	*Total AED'000*
2019					
Cost:					
1 January 2019	4,741	9,403	634	1,325	16,103
Additions	-	1,001	267	837	2,105
Disposals	-	(1)	(131)	-	(132)
At 31 December 2019	**4,741**	**10,403**	**770**	**2,162**	**18,076**
Accumulated depreciation:					
1 January 2019	2,528	8,418	314	456	11,716
Charge for the year	316	593	110	191	1,210
Disposals	-	(1)	(131)	-	(132)
At 31 December 2019	**2,844**	**9,010**	**293**	**647**	**12,794**
Net carrying amount:					
At 31 December 2019	**1,897**	**1,393**	**477**	**1,515**	**5,282**
2018					
Cost:					
1 January 2018	4,741	9,709	652	761	15,863
Additions	-	425	427	581	1,433
Disposals	-	-	(296)	-	(296)
Write-off	-	(731)	(149)	(17)	(897)
At 31 December 2018	4,741	9,403	634	1,325	16,103
Accumulated depreciation:					
1 January 2018	2,212	8,489	554	350	11,605
Charge for the year	316	660	60	123	1,159
Disposals	-	-	(151)	-	(151)
Write-off	-	(731)	(149)	(17)	(897)
At 31 December 2018	2,528	8,418	314	456	11,716
Net carrying amount:					
At 31 December 2018	2,213	985	320	869	4,387

12 SHARE CAPITAL

	2019 AED'000	*2018 AED'000*
Authorised, issued and fully paid		
207,000,000 (*2018: 207,000,000*) ordinary shares of AED 1 each	**207,000**	207,000

At the Annual General Meeting held on 23 April 2019, the shareholders approved the distribution of cash dividend of AED 0.15 per share amounting to AED 31.05 million *(2018: AED 0.15 per share amounting to AED 31.05 million).*

13 RESERVES

Legal reserve
As required by the U.A.E. Federal Law No. (2) of 2015, 10% of the Company's profit for the year has been transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals 50% of the issued share capital. This reserve is not available for distribution.

Statutory reserve
As required by the Company's Articles of Association, 10% of the profit for the year is required to be transferred to the statutory reserve until the balance of the statutory reserve equals 25% of the Company paid up share capital. This reserve is not available for distribution. The Company has resolved to discontinue such annual transfers since the reserve totals 25% of the issued share capital.

General reserve
Transfers to and from the general reserve are made at the discretion of the Board of Directors as per the authority granted to them in the Company's Articles of Association. This reserve may be used for such purposes as they deem fit.

The Board of Directors proposed a transfer of AED 7,568 thousand *(2018: AED 36,709 thousand*) from retained earnings to general reserve, which was approved in the Annual General Meeting held on 23 April 2019 (*2018: 24 April 2018).*

Capital reserve
In accordance with the Board of Directors' resolution which was adopted by the Shareholders in their Annual General Meeting held on 19 May 1999, this reserve is earmarked for the settlement of any claims with respect to compensating the previous non-national shareholders of the Company. There was no payment made to these shareholders during the year (*2018: AED Nil*).

14 PROPOSED CASH DIVIDENDS

In respect of the current year, the Board of Directors propose a cash dividend of AED 0.05 per share *(2018: AED 0.15 per share)* amounting to AED 10,350 thousand *(2018: AED 31,050 thousand).* The cash dividend are subject to the approval of the Shareholders at the Annual General Meeting.

15 INSURANCE CONTRACT LIABILITIES AND RE-INSURANCE CONTRACT ASSETS

Gross outstanding claims reserve, claims incurred but not reported reserve (IBNR), unearned premiums reserve, and related reinsurers' share is as follows:

	Note	***2019***	*2018*
		AED'000	*AED'000*
Insurance contract liabilities			
Outstanding claims reserve (i)	*17*	**176,188**	144,638
Claims incurred but not reported reserve	*17*	**36,177**	31,567
Unexpired risk reserve		**2,494**	**-**
Unearned premium reserve	*16*	**119,545**	133,770
		334,404	309,975
Re-insurance contract assets			
Outstanding claims reserve	*17*	**(118,302)**	(89,660)
Claims incurred but not reported reserve	*17*	**(9,977)**	(7,808)
Unexpired risk reserve		-	-
Unearned premium reserve	*16*	**(28,002)**	(27,699)
		(156,281)	(125,167)
Insurance liabilities - net			
Outstanding claims reserve	*17*	**57,886**	54,978
Claims incurred but not reported reserve	*17*	**26,200**	23,759
Unexpired risk reserve		**2,494**	**-**
Unearned premium reserve	*16*	**91,543**	106,071
		178,123	184,808

(i) Outstanding claims reserve includes allocated and unallocated loss adjustment expenses reserve of AED 4.4 million *(2018: AED 3.4 million*).

Actuarial valuation for Incurred But Not Reported Reserve (IBNR), Allocated and Unallocated Loss Adjustment Expenses Reserve (ALAE/ULAE), Premium Deficiency Reserve (PDR), Unexpired Risk Reserve (URR) and related assumptions.

IBNR reserve and ALAE/ULAE are calculated by external actuaries using a selection of actuarial methods. The analysis is segmented by line of business to provide enough credible and homogeneous claims data and different methods are used to take into account different claim development trends for each line of business. IBNR and ALAE /ULAE are calculated both gross and net of reinsurance using actual reinsurance data to ensure the correct impact of reinsurance is reflected in the reserves.

PDR, if any, and URR is calculated by external actuaries using a selection of actuarial methods on those lines of business where the unearned premiums is not adequate to meet the expected future liabilities from claims, commissions and expenses. Actuaries analysed the expected losses on the in-force policies separately for each of these lines of business using a selection of actuarial method. Actual commission payouts and expected expenses on the in-force portfolio were used to calculate premium deficiency reserves. PDR also includes consideration of cost of capital or other profit loadings. Additional URR is held for lines of business where the risk is not linear across the policy term.

16 UNEARNED PREMIUM RESERVE

The movement in the unearned premium reserve, and the related reinsurers share, was as follows:

	2019			2018		
	Gross AED '000	Reinsurers' share AED '000	Net AED '000	Gross AED '000	Reinsurers' share AED '000	Net AED '000
Unearned Premium reserve						
At 1 January	**133,770**	**(27,699)**	**106,071**	102,346	(18,981)	83,365
Written during the year	**250,030**	**(86,202)**	**163,828**	271,162	(93,495)	177,667
Earned during the year	**(264,255)**	**85,899**	**(178,356)**	(239,738)	84,777	(154,961)
At 31 December	**119,545**	**(28,002)**	**91,543**	133,770	(27,699)	106,071

17 OUTSTANDING CLAIMS RESERVE AND CLAIMS INCURRED BUT NOT REPORTED RESERVE

The movement in the provision for outstanding claims reserve, claims reported but not reported reserve and the related reinsurers share, was as follows:

	2019			2018		
	Gross AED'000	Re-insurance AED'000	Net AED'000	Gross AED'000	Re-insurance AED'000	Net AED'000
Claims						
Outstanding claims reserve	**144,638**	**(89,660)**	**54,978**	173,205	(124,594)	48,611
Claims incurred but not reported reserve	**31,567**	**(7,808)**	**23,759**	32,014	(9,677)	22,337
Total at 1 January	**176,205**	**(97,468)**	**78,737**	205,219	(134,271)	70,948
Claims paid during the year	**(136,838)**	**41,511**	**(95,327)**	(115,375)	41,887	(73,488)
Increase in liabilities	**172,998**	**(72,322)**	**100,676**	86,361	(5,084)	81,277
Total at 31 December	**212,365**	**(128,279)**	**84,086**	176,205	(97,468)	78,737
Outstanding claims reserve including ALAE and ULAE	**176,188**	**(118,302)**	**57,886**	144,638	(89,660)	54,978
Claims incurred but not reported reserve	**36,177**	**(9,977)**	**26,200**	31,567	(7,808)	23,759
Total at 31 December	**212,365**	**(128,279)**	**84,086**	176,205	(97,468)	78,737

18 TRADE AND OTHER PAYABLES

	Note	2019 AED'000	2018 AED'000
Trade payables		**13,306**	20,247
Due to related parties	20	**9,176**	6,056
Insurance and reinsurance balances payable		**13,122**	11,665
Accrued expenses		**23,559**	22,009
Dividends payable		**6,425**	6,425
Other payables		**9,782**	16,826
		75,370	83,228

Accounts payable are non-interest bearing and are normally settled on 60 to 90 days terms.

19 EMPLOYEES' END OF SERVICE BENEFITS

	2019 *AED'000*	*2018* *AED'000*
Balance at 1 January	**6,859**	7,685
Charge for the year	**825**	731
Paid during the year	**(368)**	(1,557)
Balance at 31 December	**7,316**	6,859

20 RELATED PARTIES

Related parties represent major shareholders, directors and key management personnel of the Company, and the companies of which they are principal owners and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Compensation of key management personnel
Compensation of key management personnel of the Company, consisting of salaries and benefits, is AED 10,311 thousand *(2018: AED 10,436 thousand)* made up as follows:

	Note	*2019* *AED'000*	*2018* *AED'000*
Short term benefits		**4,376**	3,791
Bonus		**6,390**	6,500
Employees' end of service benefits		**185**	145
		10,951	10,436
Transactions with related parties			
Gross premiums written:			
Directors and related companies		**53,456**	57,110
Claims paid:			
Directors and related companies		**(12,712)**	(18,258)
Other expenses		**(509)**	(509)
Board remuneration		**630**	(4,050)
Balances with related parties			
Due from related parties:			
Directors and related companies	*7*	**16,002**	16,208
Due to related parties:			
Directors and related companies	*18*	**(9,176)**	(6,056)
Prepaid expenses		**424**	424

Certain securities are registered in the name of a director for the beneficial interest of the Company. The fair value of these securities as at 31 December 2019 was AED 12.8 million (*2018: AED 13.2 million*) *(refer note 4).*

21 GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2019 AED'000	2018 AED'000
Staff costs	23	**26,330**	25,888
Maintenance expenses		**3,059**	2,411
Fees and licenses		**2,324**	2,491
Rent		**1,541**	1,485
Depreciation of property and equipment	11 & 23	**1,210**	1,159
Provision for reinsurance ceded		**431**	-
Write-off of old fund in bank		**143**	-
Write-back of old accounts – cash customers		**(1,980)**	-
Other expenses		**7,209**	11,510
		40,267	44,944
Allocated to:			
Underwriting		**36,105**	40,653
Other expenses		**4,162**	4,291
		40,267	44,944
Other expenses is allocated as follows:			
Other expenses from continuing operations		**4,162**	3,107
Other expenses from discontinuing operations	29	**-**	1,184
		4,162	4,291

22 NET INVESTMENT INCOME

		2019 AED'000	2018 AED'000
Changes in fair value of investment properties	9	**(21,006)**	(25,236)
Gain on disposal of financial assets at fair value through profit or loss		**28,675**	7,165
Changes in fair value of financial assets at fair value through profit or loss	5	**(26,519)**	(15,948)
Dividend income		**34,074**	39,316
Interest income		**376**	814
Other investment expense, net		**(5,929)**	(6,227)
		9,671	(116)

23 PROFIT FOR THE YEAR

Profit for the year was arrived at after charging:

		2019 AED'000	2018 AED'000
Staff costs	21	**26,330**	25,888
Depreciation of property and equipment	11 & 21	**1,210**	1,159

24 EARNINGS PER SHARE

Basic earnings per share amounts for the year are calculated by dividing profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for the effects of dilutive instruments.

The following reflects the income and share data used in the earnings per share computations:

	2019	*2018*
Profit for the year (AED '000)	**5,967**	42,669
Weighted number of shares in issue throughout the year (shares in '000)	**207,000**	207,000
Basic and diluted earnings per share (AED)	**0.03**	0.21

As of 31 December 2019 and 2018, the Company has not issued any instruments that have a dilutive impact on earnings per share when exercised.

25 RISK MANAGEMENT

Governance framework

The primary objective of the Company's risk and financial management framework is to protect the Company's shareholders from events that could hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

Capital management objectives, policies and approach

The Company has established the following capital management objectives, policies and approach to manage the risks that affect its capital position.

The capital management objectives are:

- To maintain the required level of stability of the Company thereby providing a degree of security to policyholders;
- To allocate capital efficiently and support the development of business by ensuring that returns on capital employed meet the requirements of its capital providers and of its shareholders;
- To retain financial flexibility by maintaining strong liquidity;
- To align the profile of assets and liabilities taking account of risks inherent in the business;
- To hold sufficient capital to cover the statutory requirements;
- To maintain financial strength to support new business growth and to satisfy the requirements of the policyholders, regulators and stakeholders; and
- To maintain strong credit ratings and healthy capital ratios in order to support its business objectives and maximise shareholders value.

The operations of the Company are also subject to regulatory requirements within the United Arab Emirates where it operates.

25 RISK MANAGEMENT (continued)

Approach to capital management

The Company seeks to optimise the structure and sources of capital to ensure that it consistently maximises returns to the shareholders.

The Company's approach to managing capital involves managing assets, liabilities and risks in a coordinated way, assessing shortfalls between reported and required capital levels on a regular basis and taking appropriate actions to influence the capital position of the Company in the light of changes in economic conditions and risk characteristics.

The primary source of capital used by the Company is equity funds provided by shareholders.

The Company has had no significant changes in its policies and processes relating to its capital structure during the past year from previous years.

No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 31 December 2018. Capital comprises share capital, legal reserve, statutory reserve, general reserve, capital reserve, investment revaluation reserve and retained earnings, and is measured at AED 767 million as at 31 December 2019 *(2018: AED 851 million)*.

On 28 December 2014, the United Arab Emirates (UAE) Insurance Authority issued Financial Regulations for Insurance Companies and were then subsequently published in the UAE Official Gazette No. 575 on 28 January 2015 and came into force on 29 January 2015. The Company is subject to local insurance solvency regulations. The Company has incorporated in its policies and procedures the necessary tests to ensure compliance with such regulations. Insurance Authority allows an alignment period of up to three years for the insurance companies to be in compliance with the regulations.

As per the Federal Law No. (6) of 2007 Concerning the Establishment of the Insurance Authority & Organization of the Insurance Operations, the minimum capital requirement remains at AED 100 million for insurance companies.

The table below summarises the Minimum Capital Requirement of the Company and the total capital held by the Company.

	2019 AED'000	*2018 AED'000*
Total capital held by the Company	**207,000**	207,000
Minimum regulatory capital	**100,000**	100,000

26 INSURANCE AND FINANCIAL RISK

Regulatory framework

Regulators are primarily interested in protecting the rights of policyholders and monitor them closely to ensure that the Company is satisfactorily managing affairs for their benefit. At the same time, 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 subject to regulatory requirements within the jurisdictions in which it operates. 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 insurance companies to meet unforeseen liabilities as these arise.

26 INSURANCE AND FINANCIAL RISK (continued)

Regulatory framework (continued)

The chairman of the Insurance Authority vide Board of Directors' Decision No. (25) of 2014 dated 28 December 2014, issued Financial Regulation for Insurance Companies (FRIC) applicable to insurance companies incorporated in the UAE and the foreign insurance companies licensed to practice the activity in the UAE.

The major highlights of the new regulation is summarised in the below table:

Regulation
1. Basis of Investing the Rights of the Policy Holders
2. Solvency Margin and Minimum Guarantee Fund
3. Basis of calculating the technical reserves
4. Determining the Company's assets that meet the accrued insurance liabilities
5. Records which the Company shall be obligated to organise and maintain as well as the data and documents that shall be made available to the Authority
6. Principles of organising accounting books and records of the Company, agents and brokers and determining data to be maintained in these books and records
7. Accounting policies to be adopted and the necessary forms needed to be prepared and present reports and financial statements

Insurance risk

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 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 use.

Reinsurance ceded contracts do not relieve the Company from its obligations to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under the reinsurance agreements. The reinsurance strategy of the Company is designed to protect exposures to individual risks and events based in current risk exposures through cost effective insurance agreements.

Frequency and amounts of claims

The frequency and amounts of claims can be affected by several factors. The Company underwrites mainly fire and general accident and marine and aviation 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. This helps to mitigate insurance risk.

Fire and general accident

Property

For property insurance contracts the main risks are fire and business interruption.

These contracts are underwritten by reference to the replacement value of the properties and contents insured. The cost of rebuilding properties and obtaining replacement contents and the time taken to restart operations which leads to business interruptions are the main factors that influence the level of claims. The Company has obtained necessary reinsurance covers to limit losses from individual claims.

26 INSURANCE AND FINANCIAL RISK (continued)

Insurance risk (continued)

Fire and general accident (continued)

Motor

For motor contracts, the main risks are claims for death and bodily injury and the replacement or repair of vehicles.

The level of court awards for deaths and to injured parties and the replacement costs of, and repairs to motor vehicles are the key factors that influence the level of claims. The Company has excess of loss protection to limit losses from individual claims, in addition to a reinsurance treaty arrangement of 75% for high valued claims (i.e. claims above AED 300 thousand).

Medical

For medical insurance, the main risks are claims for in-patient which includes the non-excluded cases of medical conditions or bodily injuries requiring hospitalisation and claims for out-patient which includes physician consultation, diagnostic procedures, pharmaceuticals, therapies and minor day care surgery.

During 2017, management decided to discontinue medical insurance, where only one policy was written during the year *(2018: one policy),* relating to the Company's employees. The policy has a reinsurance treaty arrangement of 80% to limit the losses *(2018: reinsurance arrangement of 80%)*.

Marine and aviation

For marine and aviation insurance, the main risks are loss or damage to marine hull, aviation craft and accidents resulting in the total or partial loss of cargoes. The underwriting strategy for the marine and aviation class of business is to ensure that policies are well diversified in terms of vessels and shipping routes covered. The Company has obtained necessary reinsurance covers to limit losses from individual claims.

Concentration of insurance risk

The Company does not have any single insurance contract or small number of related contracts that cover low frequency, high-severity risks such as earthquakes, or insurance contracts covering risks for single incidents that expose the Company to multiple insurance risks. The Company has adequately reinsured for insurance risks that many involve significant litigation. The segmental concentration of insurance risk is set out in note 28.

Managing reinsurance risk

In common with other insurance companies, in order to minimise financial exposure arising from large insurance claims, the Company, in the normal course of business, enters into arrangements with other parties for reinsurance purposes. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from large risks, and provide additional capacity for growth. A significant portion of the reinsurance is affected under treaty, facultative and excess of loss reinsurance contracts.

To minimise its exposure to significant losses from reinsurer insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar geographic regions, activities or economic characteristics of the reinsurers.

26 INSURANCE AND FINANCIAL RISK (continued)

Insurance risk (continued)

Claims development process

The following schedules reflect the actual claims (based on year end estimates including IBNR) compared to the previous estimates for the last five years on an accident year basis for motor and non-motor:

Accident year	*2015 and earlier AED '000*	*2016 AED '000*	*2017 AED '000*	*2018 AED '000*	*2019 AED '000*	*Total AED '000*
Non-Motor- Gross:						
At the end of the accident year	921,688	113,099	41,314	27,017	63,028	1,166,146
One year later	963,327	115,009	32,923	23,916	-	1,135,175
Two year later	950,599	113,782	32,227	-	-	1,096,608
Three year later	924,986	124,003	-	-	-	1,048,989
Four year later	918,704	-	-	-	-	918,704
Current estimate of cumulative claims	918,704	124,003	32,227	23,916	63,028	1,161,878
Cumulative payments to date	(881,831)	(106,867)	(23,770)	(12,763)	(5,636)	(1,030,867)
Liability recognised in the statement of financial position	36,873	17,136	8,457	11,153	57,392	131,011

Accident year	*2015 and earlier AED '000*	*2016 AED '000*	*2017 AED '000*	*2018 AED '000*	*2019 AED '000*	*Total AED '000*
Motor- Gross:						
At the end of the accident year	741,913	109,284	105,427	98,457	118,132	1,173,213
One year later	735,025	95,251	91,913	87,397	-	1,009,586
Two year later	751,086	96,899	95,440	-	-	943,425
Three year later	755,704	98,865	-	-	-	854,569
Four year later	757,163	-	-	-	-	757,163
Current estimate of cumulative claims	757,163	98,865	95,440	87,397	118,132	1,156,997
Cumulative payments to date	(726,159)	(97,885)	(88,860)	(83,925)	(78,814)	(1,075,643)
Liability recognised in the statement of financial position	31,004	980	6,580	3,472	39,318	81,354

26 INSURANCE AND FINANCIAL RISK (continued)

Insurance risk (continued)

Claims development process (continued)

Accident year	*2015 and earlier AED '000*	*2016 AED '000*	*2017 AED '000*	*2018 AED '000*	*2019 AED '000*	*Total AED '000*
Non-Motor- Net of reinsurance:						
At the end of the accident year	254,018	31,317	10,234	7,192	8,956	311,717
One year later	301,347	32,835	7,733	5,235	-	347,150
Two year later	297,023	32,596	7,583	-	-	337,202
Three year later	295,579	33,151	-	-	-	328,730
Four year later	293,850	-	-	-	-	293,850
Current estimate of cumulative claims	293,850	33,151	7,583	5,235	8,956	348,775
Cumulative payments to date	(289,207)	(31,099)	(5,144)	(2,704)	(1,302)	(329,456)
Liability recognised in the statement of financial position	4,643	2,052	2,439	2,531	7,654	19,319

Accident year	*2015 and earlier AED '000*	*2016 AED '000*	*2017 AED '000*	*2018 AED '000*	*2019 AED '000*	*Total AED '000*
Motor- Net of reinsurance:						
At the end of the accident year	639,792	77,420	77,775	84,603	103,699	983,289
One year later	630,552	67,016	63,979	75,104	-	836,651
Two year later	642,321	67,805	66,159	-	-	776,285
Three year later	645,175	69,474	-	-	-	714,649
Four year later	646,300	-	-	-	-	646,300
Current estimate of cumulative claims	646,300	69,474	66,159	75,104	103,699	960,736
Cumulative payments to date	(628,882)	(66,693)	(61,867)	(69,664)	(68,863)	(895,969)
Liability recognised in the statement of financial position	17,418	2,781	4,292	5,440	34,836	64,767

26 INSURANCE AND FINANCIAL RISK (continued)

Financial risk

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, market price risk and liquidity risk. Senior management reviews and agrees policies for managing each of these risks.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counter-parties, and continually assessing the creditworthiness of counter-parties.

The Company's five largest customers account for 27% of outstanding accounts receivable at 31 December 2019 *(2018: 34%)*.

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company manages credit risk on its cash deposits and investments by ensuring that counter parties have a good credit rating. The Company does not have an internal credit rating of counter parties and consider all counter parties with which the Company deals to be of the same high credit quality.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

Equity price risk

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

Equity price risk is the risk that the fair values of equities change as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Company's investment portfolio.

The following table estimates the sensitivity to a possible change in equity markets on the Company's total comprehensive income for the year, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

Market index	*Change in variables*	***2019* Impact on comprehensive income AED '000**	*2018 Impact on comprehensive income AED '000*
Abu Dhabi Securities Exchange	5%	**34,200**	21,935
Dubai Financial Market	5%	**3,182**	13,189
Other Markets	5%	**21**	31

26 INSURANCE AND FINANCIAL RISK (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Company is not excessively exposed to interest rate risk as its interest sensitive assets are repriced frequently.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit based on interest bearing financial assets held at 31 December.

	Effect on profit AED '000
2019	
100 decrease in basis points	**1,119**
100 increase in basis points	**(1,119)**
2018	
100 decrease in basis points	2,138
100 increase in basis points	(2,138)

Currency risk

Foreign currency risk is the risk that financial instrument will fluctuate due to change in foreign exchange rates. Assets are typically funded in the same currency as that of the business being transacted to eliminate exchange exposures. Management believes that there is a minimal risk of significant loss due to exchange rate fluctuations and consequently the Company does not hedge its foreign currency exposure.

The Company's major transactions in foreign currencies are in US Dollars. As the exchange rates of the UAE Dirham is pegged to the US Dollar, the Company is not subject to significant currency risk.

Liquidity risk

Liquidity risk is the risk that Company will not be able to meet its commitments associated with insurance contracts and financial liabilities as they fall due.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2019 and 31 December 2018, based on contractual payment dates and current market interest rates.

	Current Up to 1 year AED '000	***Non-current >1 year AED '000***	***Total AED '000***
31 December 2019			
Trade and other payables	**75,370**	**-**	**75,370**
Insurance contract liabilities	**334,405**	**-**	**334,405**
Total	**409,775**	**-**	**409,775**
31 December 2018			
Trade and other payables	61,219	-	61,219
Insurance contract liabilities	309,975	-	309,975
Total	371,194	-	371,194

26 INSURANCE AND FINANCIAL RISK continued

Liquidity risk (continued)

The expected maturity profile of the assets at 31 December 2019 and 2018 is as follows:

	Current AED '000	*Non-current AED '000*	*Total AED '000*
31 December 2019			
Cash and bank balances	**134,750**	**6,000**	**140,750**
Financial assets at fair value through other comprehensive income	**-**	**346,585**	**346,585**
Financial assets at fair value through profit or loss	**424,537**	**-**	**424,537**
Financial assets at amortised cost	**-**	**14,368**	**14,368**
Insurance receivables and prepayments	**57,307**	**-**	**57,307**
Reinsurance contracts assets	**156,281**	**-**	**156,281**
Investment properties	**-**	**307,469**	**307,469**
Investment property under development	-	**9,394**	**9,394**
Investment in associates	**-**	**107,595**	**107,595**
Property and equipment	**-**	**5,282**	**5,282**
	772,875	**796,693**	**1,569,568**
31 December 2018			
Cash and bank balances	120,910	6,000	126,910
Financial assets at fair value through other comprehensive income	-	267,865	267,865
Financial assets at fair value through profit or loss	466,488	-	466,488
Financial assets at amortised cost	-	9,000	9,000
Insurance receivables and prepayments	68,548	-	68,548
Reinsurance contracts assets	125,167	-	125,167
Investment properties	-	328,475	328,475
Investment property under development	-	8,921	8,921
Investment in associates	-	159,399	159,399
Property and equipment	-	4,387	4,387
	781,113	784,047	1,565,160

Except for end of service benefits of AED 7,316 thousand *(2018: AED 6,859 thousand)*, the Company expects its liabilities of AED 795,122 thousand *(2018: AED 707,078 thousand)* to mature in less than twelve months from the date of the statement of financial position.

Operational risks

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. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes.

27 FAIR VALUES

Fair value of financial instruments and non-financial assets

Financial instruments comprise of financial assets and financial liabilities.

The fair values of the financial assets and liabilities of the Company are not materially different from their carrying values at the reporting date.

The following table shows the analysis of financial instruments and non-financial assets recorded at fair value by level of the fair value hierarchy:

	Level 1	***Level 2***	***Level 3***	***Total***
	AED'000	***AED'000***	***AED'000***	***AED'000***
At 31 December 2019				
Financial assets at fair value through profit or loss	**424,537**	**-**	**-**	**424,537**
Financial assets at other comprehensive income	**323,547**	**-**	**23,038**	**346,585**
	748,084	**-**	**23,038**	**771,122**
At 31 December 2018				
Financial assets at fair value through profit or loss	466,488	-	-	466,488
Financial assets at other comprehensive income	240,254	-	27,611	267,865
	706,742	-	27,611	734,353

During the reporting periods ended 31 December 2019 and 31 December 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

Movement in level 3 for financial assets at fair value through other comprehensive income is as follows:

	2019	*2018*
	AED'000	*AED'000*
Balance as at 1 January	**27,611**	26,684
Additions	-	4,636
Disposal	**(58)**	**-**
Change in fair value	**(4,515)**	(3,709)
Balance at 31 December	**23,038**	27,611

The fair value of the financial assets is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values of non-financial assets:

The fair value of land and buildings (*note 9*) was determined based on the market comparable as well as income approach that reflects recent transaction prices for similar properties or quotes/bid prices for same or similar assets. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of investment property is measured at level 3.

28 SEGMENT REPORTING

For management purposes the Company is organised into departments based on the classes of insured risks. The reportable operating segments of the Company are fire and general accident, medical, marine and aviation, motor and investments.

Management monitors the underwriting results of the operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on underwriting profit. The following table presents disclosure of segment revenues, measurement of segment profit for the year and their reconciliation to the Company's income and profit for the year.

28.1 Segment revenue and results

	2019					
	Marine and Aviation	**Fire and General Accident**	**Motor**	**Medical**	**Investments**	**Total**
	AED'000	*AED'000*	*AED'000*	*AED'000*	*AED'000*	*AED'000*
Gross premiums written	**4,409**	**63,123**	**179,080**	**3,418**	**-**	**250,030**
Reinsurance share of ceded premiums	**(3,712)**	**(53,557)**	**(27,323)**	**(1,610)**	**-**	**(86,202)**
Net change in unearned premium reserve	**46**	**1,695**	**13,388**	**(601)**	**-**	**14,528**
Net claims incurred	**(558)**	**(6,713)**	**(95,000)**	**(899)**	**-**	**(103,170)**
Net commission earned / (incurred)	**1,916**	**9,771**	**(15,322)**	**98**	**-**	**(3,537)**
Rental income	**-**	**-**	**-**	**-**	**7,153**	**7,153**
Share of loss of associates – net	**-**	**-**	**-**	**-**	**(21,803)**	**(21,803)**
Loss from investments - net of finance costs	**-**	**-**	**-**	**-**	**(8,683)**	**(8,683)**
Segment profit / (loss) before allocated expenses	**2,101**	**14,319**	**54,823**	**406**	**(23,333)**	**48,316**
Allocated expenses, net	**(1,298)**	**(9,535)**	**(26,242)**	**(1,112)**	**-**	**(38,187)**
Segment profit / (loss)	**803**	**4,784**	**28,581**	**(706)**	**(23,333)**	**10,129**
Unallocated expenses						**(4,162)**
Profit for the year						**5,967**

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28 SEGMENT REPORTING (continued)

28.1 Segment revenue and results (continued)

	2018					
	Marine & Aviation *AED'000*	Fire and General Accident *AED'000*	Motor *AED'000*	Medical *AED'000*	Investments *AED'000*	Total *AED'000*
Gross premiums written	4,986	64,836	199,728	1,612	-	271,162
Reinsurance share of ceded premiums	(4,077)	(55,762)	(32,368)	(1,288)	-	(93,495)
Net change in unearned premium reserve	44	(1,713)	(21,037)	-	-	(22,706)
Net claims incurred	(98)	(3,907)	(78,418)	1,146	-	(81,277)
Net commission earned (incurred)	1,035	11,312	(14,753)	(9)	-	(2,415)
Rental income	-	-	-	-	7,291	7,291
Share of profit of associates	-	-	-	-	17,718	17,718
Loss from investments, net of finance costs	-	-	-	-	(10,754)	(10,754)
Net loss from discontinued operations	-	-	-	-	(1,127)	(1,127)
		-				
Segment profit before allocated expenses	1,890	14,766	53,152	1,461	13,128	84,397
Allocated expenses, net	(1,106)	(9,741)	(25,802)	(1,983)	-	(38,632)
Segment profit / (loss)	784	5,025	27,350	(522)	13,128	45,765
Unallocated expenses						(3,107)
Profit for the year						42,658

28 SEGMENT REPORTING continued

28.2 Segment assets and liabilities

	31 December 2019			*31 December 2018*		
	Underwriting AED'000	***Investments AED'000***	***Total AED'000***	*Underwriting AED'000*	*Investments AED'000*	*Total AED'000*
Segment assets	**358,483**	**1,201,973**	**1,560,456**	312,175	1,247,592	1,559,767
Unallocated assets			**9,112**			8,390
Total assets			**1,569,568**			1,568,157
Segment liabilities	**373,733**	**399,285**	**773,018**	355,246	326,084	681,330
Unallocated liabilities			**30,691**			32,607
Total liabilities			**803,709**			713,937
Capital expenditure	**2,105**	**-**	**2,105**	1,433	-	1,433

28.3 Segment revenue from underwriting departments

The following is an analysis of the Company's revenues (representing gross premiums, commission earned and other income relating to underwriting) classified by major underwriting departments.

	2019 AED'000	*2018 AED'000*
Motor	**192,438**	211,469
Engineering	**26,909**	27,913
Fire and general accidents	**54,029**	55,897
Marine and aviation	**6,607**	6,208
Life, medical and personal assurance	**3,602**	1,777
	283,585	303,264

28.4 Geographical segment

The Company's underwriting business is based entirely within UAE, except for treaty re-insurance arrangements which are held with companies based primarily in Europe. All the investments of the Company are held in the UAE except for certain investments in securities which are held in other countries and investment properties which are held in the United States of America (USA).

Total revenues (representing gross premiums and commission earned) and total assets by geographical location are detailed below:

	Revenue		***Total assets***	
	2019 AED'000	*2018 AED'000*	***2019 AED'000***	*2018 AED'000*
UAE	**269,932**	291,028	**1,413,656**	1,419,666
Europe	**13,653**	12,236	**69,364**	63,042
USA	-	-	**45,172**	47,894
Other countries	**-**	-	**41,376**	37,555
	283,585	303,264	**1,569,568**	1,568,157

29 Discontinuing operations

During 2017, based on the "Administrative Decision No.69 of 2017" dated 23 January 2017, the Company's Board of Directors resolved to liquidate Vision Capital Brokerage Company LLC (VCB), which was approved by the shareholders in the Annual General Meeting held on 17 April 2017. As a result, the financial results of VCB have been presented in the financial statements as discontinued operations. The Company expects to realise an amount equivalent to the net assets of VCB.

The results of VCB for the period ended 31 December 2019 is as follows:

a) Results for the period

	2019	*2018*
	AED'000	*AED'000*
Net commission income	-	57
Income from margin trading	-	-
Other expenses (*note 21)*	-	(1,184)
Finance costs	-	-
Loss for the year	-	(1,127)

b) The carrying values of the identifiable assets and liabilities as at 31 December 2019 are as follows:

	2019	*2018*
	AED'000	*AED '000*
Assets		
Current assets		
Accounts receivable, prepayments and other receivables	-	77
Bank balances and cash	-	781
Total assets	-	858
Current liabilities		
Employees' end of service benefits	-	24
Accounts payable and accruals	-	20
Total liabilities	-	44
Net assets	-	814

30 Commitments and contingent liabilities

Contingent liabilities
At 31 December 2019, the Company had contingent liabilities in respect of outstanding letters of guarantee issued in the normal course of business, amounting to AED 6.6 million *(2018: AED 6.6 million).*

Legal claims
The Company, in common with the significant majority of insurers, is subject to litigation in the normal course of the business. Management, based on advice from independent loss adjusters and internal legal counsel, has made a provision of AED 14.0 million *(2018: AED 18.1 million)* representing amounts expected to result in a probable outflow of economic resources.

31 Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue in their meeting on 26 March 2020.

32 Subsequent Events

The spread of novel coronavirus (COVID-19) across multiple geographies was confirmed in early 2020, causing disruptions to businesses and economic activities. The Company considers this outbreak to be a non-adjusting post balance sheet event. At this early stage, the Company is in the process of assessing any potential impact. The management and those charged with governance will continue to monitor the situation and accordingly update all stakeholders as soon as more information is available. Changes in circumstances may require enhanced disclosures or recognition of adjustments in the condensed interim financial statements of the Company of the subsequent periods in the financial year 2020.